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ABSTRACT

This guidebook includes information compiled by the "Audit Manual" committee of Community College Internal Auditors (CCIA) from several California community college districts regarding their internal auditing practices. The first section of the guidebook discusses the purpose of internal audits, indicating that audits assist members of the organization in the effective discharge of their responsibilities by furnishing analyses, appraisals, and recommendations concerning institutional activities. The second section discusses reporting relationships, including the relationship which auditors must maintain with the organization being investigated, suggesting that auditors should be independent of the activities they audit. The next section describes the obligations of internal auditors, including responsibilities for tasks other than internal audits, fraud detection, peer review, and audit scheduling and budgeting. Internal audit charters are discussed in the next section, which contains sample charters from several districts, designed to clearly define audit objectives, authorities, and responsibilities. The fifth section provides standards for the professional practice of internal auditing and audit manuals for two college districts. After a section presenting sample job descriptions for community college internal auditors in California, the seventh section provides a list of professional organizations and a bibliography of reference books. The final section presents the results of the CCIA's April 1991 survey of California community colleges, which gathered information on organizational structure, charter, operational responsibilities, compensation, staffing, and professional resources of internal audit functions. (MAB)

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Community College Internal Auditors

Internal Audit

Guidebook

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September 1991

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Purpose of this Guidebook

At our last meeting, several participants expressed a need for sample job descriptions, charters, procedures, etc. So the "Audit Manual" committee compiled information from several districts along with some narrative discussion in relevant areas. This guidebook is the result. The narrative discussion, except where otherwise indicated, reflects the opinions of the authors and is intended only as a guide. It does not represent authoritative guidance nor the collective opinion of the members of CCIA.

I would like to thank Sher Weahunt, Ronna Jones, and Pat Sha for drafting a good portion of the sections and Tom FitzGerald for preparing the publication review.

Judith Osgood
Interim President CCIA
September 1991

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PURPOSE OF INTERNAL AUDIT

Internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities by furnishing analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.

The members of the organization assisted by internal auditing include all levels of management, staff, and the board. Internal auditors discharge their responsibility by providing management and the board with an independent evaluation of compliance with management policies and an objective assessment of the effectiveness of these policies in meeting organizational goals. Internal auditors also review and evaluate the adequacy and effectiveness of the organization's structure of internal control and the quality of performance.

The Institute of Internal Auditors was founded in 1941 by three individuals with extraordinary vision who recognized the need for internal auditing at a time when the economic demand for domestic and military goods exceeded the available resources and adequate control over limited resources became essential to meet production demands. In its earlier form, internal auditing was little more than a quality control function in the service of the controller. The modern internal auditor is no longer a staff member of Controllers department responsible for "accounting quality control". Today's internal auditor is a valued member of the executive management team.

Internal auditing is an integral part of the organization and functions under the policies established by senior management and the board. The statement of purpose, authority, and responsibility (the charter) for the internal auditing department, approved by senior management and accepted by the board, is most effective when consistent with the Standards for the Professional Practice of Internal Auditing.[1]

The scope of internal audit work encompasses the determination of the following:

- Reliability and integrity of financial and operating information
- Compliance with policies, plans, procedures, laws, and regulations
- Safeguarding of assets
- Economical and efficient use of resources
- Accomplishment of established objectives and goals for operations or programs

Increasing expectations of fiscal accountability, particularly in the public sector, have placed more pressure on organizations to insure proper accountability has been achieved. The internal audit function supplements the assurance provided by the external audit and provides expanded audit coverage in areas beyond the scope of the external audit. Proper coordination of external and internal audit tasks can also reduce the cost of the external audit.

[1]Standards for the Professional Practice of Internal Auditing, Introduction, page 1.

REPORTING RELATIONSHIPS

No discussion of reporting relationships would be complete without first covering independence. Internal auditors should be independent of the activities they audit. Independence permits internal auditors to perform their work freely and objectively. Without independence, the desired results of internal auditing cannot be realized.

The Institute of Internal Auditors is the international standard setting body for internal auditors. The Standards for the Professional Practice of Internal Auditing address independence as follows:

100 "Internal auditors should be independent of the activities they audit.

.01 Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational status and objectivity.

110 The organizational status of the internal auditing department should be sufficient to permit the accomplishment of its audit responsibilities.

.01 Internal auditors should have the support of management and of the board of directors so that they can gain the cooperation of auditees and perform their work free from interference.

.1 The director of the internal auditing department should be responsible to an individual in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

.2 The director (of internal audit) should have direct communication with the board. Regular communication with the board helps assure independence and provides a means for the board and the director to keep each other informed on matters of mutual interest.

.3 Independence is enhanced when the board concurs in the appointment or removal of the director of the internal auditing department.

.4 The purpose, authority, and responsibility of the internal auditing department should be defined in a formal written document (charter). The director should seek approval of the charter by management as well as acceptance by the board.

.5 The director of internal auditing should submit annually to management for approval and to the board for its information a summary of the department's audit work schedule, staffing plan, and financial budget. The director should also submit all significant interim changes for approval and information. Audit work schedules, staffing plans, and financial budgets should inform management and the board of the scope of internal auditing work and of any limitations placed on that scope.

.6 The director of internal auditing should submit activity reports to management and to the board annually or more frequently as necessary. Activity reports should highlight significant audit findings and recommendations and should inform management and the board of any significant deviations from approved audit work schedules, staffing plans, and financial budgets, and the reasons for them."

Additionally, the Institute of Internal Auditors has recently issued a Position Statement entitled The Audit Committee in the Public Sector. This document offers more guidance in establishing reporting relationships. It states:

Reporting

"The director of internal auditing should periodically communicate directly with the audit committee as articulated in the internal auditing function's charter and the audit committee's charter. The audit committee-internal auditor relationship would be established through the internal audit charter, which is then approved by the governing board. Only if such a reporting relationship exists will the internal auditors have appropriate recourse in cases of misconduct or fraud involving executive-level management."

Executive Management- Internal auditor Relationships

Oversight

"Executive management has the primary responsibility for the day to day operations and the financial and other reporting of the entity. These responsibilities include the appointment and removal of the director of the internal auditing function, with review and approval by the audit committee. Executive management also has direct input into the internal auditors' plans and budgets which are in turn reviewed by the audit committee. The internal auditors must be responsive to the needs of executive management, yet remain objective.

Reporting

The internal auditors should communicate directly with the audit committee. It is especially important that internal auditors remain independent, which includes operating independently of management and remaining free from organizational impairments. It is also important that the internal auditors be independent of the chief financial and/or accounting officers to ensure objective reviews of the internal control structure and the financial reporting process."

It should be noted that the above represents professional guidance. However, this guidance is strengthened tremendously by California Government Code §1236 which requires all government organizations with internal audit functions within California (except federal) to comply with the Standards for the Professional Practice of Internal Auditing.

INTERNAL AUDIT RESPONSIBILITIES

RESPONSIBILITIES FOR OTHER THAN INTERNAL AUDITS

According to the Standards, "internal auditors should not assume operating responsibilities. But if on occasion senior management directs internal auditors to perform nonaudit work, it should be understood that they are not functioning as internal auditors. Moreover, objectivity is presumed to be impaired when internal auditors audit any activity for which they had authority or responsibility. This impairment should be considered when reporting audit results.

The internal auditor's objectivity is not adversely affected when the auditor recommends standards of controls for systems or reviews procedures before they are implemented. Designing, installing, and operating systems are not audit functions. Also the drafting of procedures for systems is not an audit function. Performing such activities is presumed to impair audit objectivity."

FRAUD DETECTION

Many internal auditors are reluctant to be identified with fraud. One reason for that may be because they believe that participating in investigations will somehow damage the image and effectiveness of the internal audit department. While there may be some truth to this, proper professional response to fraud can only enchance and expand the role of the internal auditor. Proper fraud handling not only builds the credibility of the internal auditor but can increase acceptance of control recommendations.

The best response to fraud is a proactive approach. Internal auditors planning to develop a a fraud audit program may want to contact the National Association of Certified Fraud Examiners, 716 West Avenue, Austin, TX 78701, telephone 1-800-245-3321 for information on fraud training or their Certified Fraud Examiner program.

PEER REVIEW

Peer review is the profession's method of self-regulation to assure that work is of high quality and the personnel involved are qualified to perform the duties.

Peer reviews include the evaluation of internal audit's charter and policies for compliance with the Standards for Professional Practice of Internal Auditing. They also include a review of the quality of supervision and range of activities performed.

More detail on peer review is available in the following references:

Standards for the Professional Practice of Internal Auditing - 560

560 Quality Assurance

The director of internal auditing should establish and maintain a quality assurance program to evaluate the operations of the internal auditing department.

.01 The purpose of this program is to provide reasonable assurance that audit work conforms with these Standards, the internal auditing department's charter, and other applicable standards. A quality assurance program should include the following elements:

.1 Supervision
.2 Internal reviews
.3 External reviews

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.02 Supervision of the work of the internal auditors should be carried out continually to assure conformance with internal auditing standards, departmental policies, and audit programs.

.03 Internal reviews should be performed periodically by members of the internal auditing staff to appraise the quality of the audit work performed. These reviews should be preformed in the same manner as any other internal audit.

.04 External reviews of the internal auditing department should be performed to appraise the quality of the department's operations. These reviews should be performed by qualified persons who are independent of the organization and who do not have either a real or apparent conflict of interest. Such reviews should be conducted at least once every three years. On completion of the review a formal, written report should be issued. The report should express an opinion as to the department's compliance with the Standards for the Professional Practice of Internal Auditing and, as appropriate, should include recommendations for improvement.

Statement on Internal Auditing Standards (SIAS) No.4
Quality Assurance, December 1986, The Internal Auditor.

Quality Assurance Review Manual for Internal Auditing, Second Edition, Institute of Internal Auditors.

Sawyer's Internal Auditing, Lawrence B. Sawyer, Third Edition,Institute of Internal Auditors, Chapter 20.

AUDIT SCHEDULING AND BUDGETING

The audit schedule provides the justification for the budget and is a guide to the activities that need to be performed. It also can assist in obtaining management participation by seeking their review of the schedule; thus, their acceptance is their commitment. Administratively it also assists in establishing standards, acts as a means of controlling time commitments, and provides insight to external auditors.

More detail on internal audit scheduling is available in the Standards and Sawyer's Internal Auditing:

Standards for the Professional Practice of Internal Auditing - 520

520 Planning

The director of internal auditing should establish plans to carry out the responsibilities of the internal auditing department.

.04 Audit work schedules should include (a) what activities are to be audited; (b) when they will be audited; and (c) the estimated time required, taking into account the scope of the audit work planned and the nature and extent of audit work performed by others. Matters to be considered in establishing audit work schedule priorities should include (a) the date and results of the last audit; (b) financial exposure; (c) potential loss and risk; (d) requests by management, (e) major changes in operations, programs, systems, and controls; (f) opportunities to achieve operating benefits; (g) changes to and capabilities of the audit staff. The work schedules should be sufficiently flexible to cover unanticipated demands on the internal auditing department.

Sawyer's Internal Auditing, Lawrence B. Sawyer, Third Edition, Institute of Internal Auditors, Chapter 18.

INTERNAL AUDIT CHARTER

In order to establish a foundation for a successful internal audit operation, internal auditors need the demonstrated support of management, a clear and mutually understood set of objectives between the internal auditor and management, and the authority to access the materials and records necessary to perform audits.

The charter should clearly define internal audit objectives, authorities, and responsibilities. It should delineate the responsibilities between the internal audit's function and the operational units and establish internal audit reporting relationships within the organization. It can also include instructions on how corrective actions will be pursued.

By developing the charter and obtaining management's approval, internal audit documents management's support of the internal audit function, the scope of internal audit's participation in the organization, and internal audit's right to access records.

More detail on internal audit charters is available in the Standards, Statement of Responsibilities, and Sawyer's Internal Auditing:

> Standards for the Professional Practice of Internal Auditing - 110.4 - The purpose, authority, and responsibility of the internal auditing department should be defined in a formal written document (charter). The director should seek approval of the charter by management as well as acceptance by the board. The charter should (a) establish the department's position within the organization; (b) authorize access to records, personnel, and physical properties relevant to the performance of audits; and (c) define the scope of internal auditing activities.
>
> Statement of Responsibilities of Internal Auditing - The charter should make clear the purposes of the internal auditing department, specify the unrestricted scope of its work, and declare that auditors are to have no authority or responsibility for the activities they audit.
>
> Sawyer's Internal Auditing, Lawrence B. Sawyer, Third Edition,Institute of Internal Auditors, Chapter 5.

Attached are the charters for California Community Colleges Chancellor's Office, Contra Costa CCD, Coast CCD, and San Diego CCD. It must be recognized that the charters are the product of negotiation and compromise with management. Each internal audit function should strive for the highest level of compliance with the Standards within their organization at the outset. Additionally, they should continually assess the situation for new opportunities to improve compliance.

ATTACHMENT A

INTERNAL AUDIT DIRECTIVE

A. AUTHORITY

I, as agency head, authorize, pursuant to Section 20010 of the State Administrative Manual, the Internal Audit subunit of the Fiscal and Program Standards Accountability Unit (FPSA) to conduct a comprehensive program of internal reviews of the Chancellor's Office (CO) procedures and operations. This includes examining and evaluating the adequacy and effectiveness of the system of fiscal controls established by the CO to assure compliance with all staff regulations and with good accounting practices.

In order to accomplish its goals of maintaining an independent and objective review program, it is necessary that Internal Audit staff have full and unrestricted access to all CO functions, records, property and personnel. However, Internal Audit staff is operationally analytical and advisory and exercises no direct authority over any area under review.

B. AGENCY RESPONSIBILITY

It is the responsibility of the Board of Governors and management of the Chancellor's Office to establish and maintain the structure and objectives of the Internal Audit function. Furthermore, to facilitate the effectiveness and efficiency of internal audit activities, I hereby establish the Chancellor's Office Audit Committee, consisting of the Deputy Chancellor as the committee chair, the Vice Chancellor for Fiscal Policy and two other Vice Chancellors to be appointed by the Chancellor with the following responsibilities:

1. To review and comment on the annual Internal Audit workplan.

2. To review and comment on all reports submitted by Internal Audit.

3. To monitor implementation of corrective actions and operational improvements recommended by Internal Audit.

4. To review and comment on requests for special audits or other reviews.

5. To review and comment on the annual report to the Chancellor and the Board of Governors on the result of the prior year's review.

C. RESPONSIBILITIES OF INTERNAL AUDIT

The responsibilities of Internal Audit are to:

1. Develop and execute a comprehensive program for the evaluation of all fiscal controls of CO activities.

2. Examine the effectiveness of all levels of statewardship of resources and compliance with established fiscal policies and procedures.

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3. Recommend improvements to fiscal controls designed to safeguard resources and assure compliance with laws and regulations.

4. Review fiscal policies, plans, procedures and records for their adequacy to accomplish agency objectives.

5. Coordinate internal and external audit efforts to prevent duplication and act as liaison with external audit groups.

6. Review new computer system or changes in existing systems to determine the existence of internal control and audit trails.

7. Appraise the adequacy of the action taken by management to correct reported fiscal deficiencies and forward such appraisals to the attention of the Chancellor's Office Audit Committee.

8. Conduct special examinations at the request of management, as is possible.

9. Publish reports on the results of examinations, including recommendations for improvement.

D. DEVELOPMENT OF ANNUAL INTERNAL AUDIT WORKPLAN

Internal Audit will prepare an annual workplan and submit that plan to the Audit Committee by June 30 for review and comment. The plan will be revised as needed to take into consideration changing priorities and resources. By August 30 of the following fiscal year Internal Audit staff will submit a detailed activity report to the Audit Committee. Each audit plan will be developed to satisfy review needs identified by a survey of the CO functions, requirements, and legislative requirements as they relate to the fiscal operations of the Chancellor's Office.

Managers may submit review requests in writing to the Vice Chancellor for Fiscal Policy. Such requests must include an explanation of the reason(s) an audit is needed. Requests deemed significant as they relate to fiscal conditions will be included in the annual workplan and submitted to the Audit Committee for review and comments.

E. MANAGEMENT RESPONSE TO AUDIT FINDINGS

Managers are responsible for ensuring that corrective action on reported deficient conditions is either planned or taken within 30 days from receipt of a report disclosing those conditions. They are also responsible for submitting a written quarterly report of action planned or completed to the office of the Deputy Chancellor. The Internal Auditor will report to the Deputy Chancellor on any problems which arise from this process.

Approved: David Mertes Date: 4/8/91

David Mertes, Chancellor
California Community Colleges

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COAST COMMUNITY COLLEGE DISTRICT
INTERNAL AUDIT DEPARTMENT

MANUAL OF POLICIES AND PROCEDURES

A. Internal Audit Department Charter

Introduction

Internal auditing is an independent appraisal activity established within the organization to examine and evaluate its activities. The objectives of internal auditing are to assist members of the organization in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at reasonable cost.

Role of the Internal Audit Department

The internal audit department is established by the Board of Trustees, and its responsibilities are defined by the Chancellor. The director of internal auditing will report administratively to the Vice Chancellor of Business Affairs and functionally to the Chancellor.

Authorization and Responsibilities

Authorization is granted for full and complete access to any of the organization's records (either manual or electronic), physical properties, and personnel relevant to a review. Documents and information given to internal auditors during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them.

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, engage in activities which would normally be reviewed by internal auditors.

Recommendations on standards of control to apply to a specific activity may be included in the written report of audit findings and opinions which is given to operating management unit for review and implementation.

Definition of Audit Scope

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. It includes:

- Reviewing the systems established to ensure compliance with those policies, plan, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

- Review the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

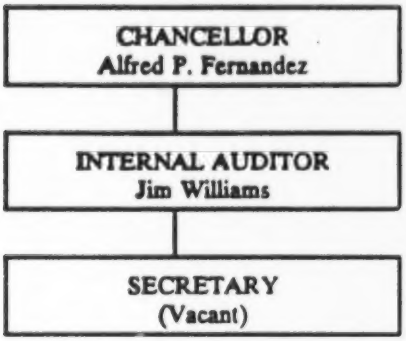
- Reviewing and appraising the economy and efficiency with which resources are employed.

- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

Reporting Accountabilities

A written report will be prepared and issued by the director of internal auditing following the conclusion of each audit and will be distributed as appropriate. A copy of the full report will be forwarded to the chancellor's office. The manager of the activity or department receiving the internal audit report will respond within 30 days and forward a copy to Internal Audit Department. This response will indicate what actions were taken in regard to the specific findings and recommendations in the internal audit report. A timetable for the anticipated completion of these actions will be included.

COAST COMMUNITY COLLEGE DISTRICT
INTERNAL AUDITOR DEPARTMENT
ORGANIZATIONAL CHART
(April 23, 1991)



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INTERNAL AUDIT
STATEMENT OF RESPONSIBILITIES DRAFT 11/5/90

Nature

Internal auditing is an independent appraisal activity established within the District as a service to the District. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls.

Objective and Scope

The objective of internal auditing is to assist members of the District in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the District's system of internal control and the quality of performance in carrying out assigned responsibilities. The scope of internal auditing includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and determining whether the District is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

Responsibility and Authority

Internal auditing functions under the policies established by management and the board. The Internal Auditor is authorized access to all District records, properties, and personnel relevant to the performance of audits. The responsibility of internal auditing is to serve the District in a manner that is consistent with the Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors. This responsibility includes coordinating internal audit activities with others so as to best achieve the audit objectives of the District. Internal auditing has no authority or responsibility for the activities audited.

SAN DIEGO COMMUNITY COLLEGE DISTRICT
Business Services, Internal Audit

DISTRICT INTERNAL AUDIT POLICY & PROCEDURES

Auditing Function

Auditing is the indepth process of document verification of fiscal and program compliance through the systematic inspection of accounting records. Auditing occurs periodically during and/or at the end of the fiscal year.

Auditing is conducted on one of the following bases:

1. According to Audit Schedule established by Internal Audit.
2. At the request of Administrator/Manager due to significant non-compliance found in the course of monitoring the daily operation.
3. As required by regulatory agencies; i.e.,Federal,State,Ed Code, or;
4. District Board of Trustees, the Chancellor, College Presidents and/or Directors.

Purpose

Auditing differs from monitoring in both scope and intensity. Monitoring assesses project systems for their ability to provide reliable data. In general, the purpose of monitoring is to identify non-compliance with District policies and procedures. An audit may reveal specific fiscal or management problems not found through monitoring. It is this interdependent relationship of monitoring and auditing which together protects the use of District funds.

Auditees' Responsibilities

Audit of financial records is conducted by staff of District Internal Audit. Auditee is responsible for making available their financial and related program records when requested. Following receipt of the Internal Audit's Report, if there are negative findings, the Office must respond in writing by either accepting or contesting the audit findings. If the Office accept the audit findings, a Corrective Action Plan and timeline must be included in the statement of intention. Implementation of the Corrective Action Plan should begin immediately.
If the Office contests the audit findings, documentation supporting the Office position must be included with the statement of intention.
The Office must respond to the audit report within 15 days after receipt of the report.

District Internal Audit's Responsibilities

District Internal Audit will respond to the Office in a timely manner after review of the Corrective Action Plan or supporting documentation for contesting of the audit report.

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SAN DIEGO COMMUNITY COLLEGE DISTRICT
Business Services, Internal Audit

Duties & Responsibilities of the Internal Auditor

The Internal Auditor have direct line responsibility and access to the Director of Business Services and daily functional direction with the District Controller. This operating procedure does not preclude the Internal Auditor from initiating audit review at his/her discretion.

GOAL:

To assist all member of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning accomplishment of established District goals and objectives for operations and programs. To be concerned with any phase of business activity in which he/she may be of service to management. This may involve, with appropriate approval, going beyond the accounting and financial records to obtain full understanding of the operations under review.

OBJECTIVES:

1. Compliance Review
   Ascertain the extent of compliance with established District policies and procedures; perform audits to determine the adequacy of compliance with the rules and regulations for educational programs as established by Federal and State laws, rules and regulations.

2. Appraisal of Controls
   Review and aprraise the soundness, adequacy and application of accounting, financial and other operating controls and promite effective control at reasonable cost.

3. Protection of District Assets
   Ascertain the extent to which District assets are accounted for and safe-guraded from losses of all kinds.

4. Appraisal of Management & Fiscal Data
   Ascertain the accuracy and reliability of management and fiscal data developed within the District.

5. Appraisal of Performance
   Appraise the quality of performance by certain District progrma/activity in carrying out assigned responsibilities.

6. Audit Techniques
   Develop new and/or improve currect audit techniques to provide the District with better use of computer audits. Review and interpret latest legislation procedural changes in auditing so as to provide the most updated and comprehensive audit technique and be consistent with the audit requirement of Federal, State and Local agencies.

7. **Recommend Operating Improvements**
   Develop strategies to improve District's inventory procedures; review and test inventory valuation and pricing; Review, evaluate, update and recommend changes to District established policies and procedures that pertain to internal control for financial operations and program compliance.

8. **Coordinate Report Development for External Audit**
   Coordinate and assist in audits performed by District's Contract Auditors, Federal, State and local Agencies' auditors. Conduct audits to determine the adequacy of compliance with the rules and regulations for educational programs as established by the California Community Colleges Board of Governors and the District' Board of Trustees.

9. **Technical Assistance/Training**
   Provide technical assistance and training to District Managers and Supervisors in developing guidelines in the areas of system development, internal controls, attendance accounting and payroll accounting. Train, supervise and evaluate the performance of staff assigned to audit various District cash funds at colleges, bookstores, food services, associated student centers, Continuing Education centers, internal services (District Self-Insurance) accounts on a selective and periodic basis. Determine and report all transactions which affect correctness of these funds.

OTHER RESPONSIBILITY AND AUTHORITY

The Internal Auditor plans, organizes and directs the District's comprehensive audit program to provide more efficient and effective use of education funds through sound fiscal management practices and the reporting of financial operations. The Internal Auditor's responsibilities also include:

a. To inform and advise District Managers/Supervisors regarding District policies and procedures, federal, state and county laws, rules and regulations.

b. To provide technical assistance to District Managers/Supervisors and staff in developing new procedures, standard forms and updating the District's operating procedures and controls.

c. To perform operational audit as requested by District Managers, Directors and the Chancellor/Board of Trustees.

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POLICIES AND PROCEDURES

Standards for the Professional Practice of Internal Auditing

530 Policies and Procedures

"The director of internal auditing should provide written policies and procedures to guide the audit staff.

01. The form and content of written policies and procedures should be appropriate to the size and structure of the internal auditing department and the complexity of its work. Formal administrative and technical audit manuals may not be needed by all internal auditing departments. A small internal auditing department may be managed informally. Its audit staff may be directed and controlled through daily, close supervision and written memoranda. In a large internal auditing department, procedures are essential to guide the audit staff in the consistent compliance with the department's standards of performance."

Attached are the audit manuals for Contra Costa CCD and Coast CCD. As with the example charters referenced in the previous sections, it must be recognized these manuals are the product of negotiation and compromise with management. Each internal audit function should strive for the highest level of compliance with the Standards within their organization at the outset. Additionally, they should continually assess the situation for new opportunities to improve compliance.

COAST COMMUNITY COLLEGE DISTRICT
INTERNAL AUDIT DEPARTMENT

MANUAL OF POLICIES AND PROCEDURES

A. Internal Audit Department Charter

Introduction

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The internal audit department is established by the Board of Trustees, and its responsibilities are defined by the Chancellor. The director of internal auditing will report administratively to the Vice Chancellor of Business Affairs and functionally to the Chancellor.

Authorization and Responsibilities

Authorization is granted for full and complete access to any of the organization's records (either manual or electronic), physical properties, and personnel relevant to a review. Documents and information given to internal auditors during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them.

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, engage in activities which would normally be reviewed by internal auditors.

Recommendations on standards of control to apply to a specific activity may be included in the written report of audit findings and opinions which is given to operating management unit for review and implementation.

Definition of Audit Scope

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. It includes:

- Reviewing the systems established to ensure compliance with those policies, plan, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

- Review the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Reviewing and appraising the economy and efficiency with which resources are employed.

- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

Reporting Accountabilities

A written report will be prepared and issued by the director of internal auditing following the conclusion of each audit and will be distributed as appropriate. A copy of the full report will be forwarded to the chancellor's office. The manager of the activity or department receiving the internal audit report will respond within 30 days and forward a copy to Internal Audit Department. This response will indicate what actions were taken in regard to the specific findings and recommendations in the internal audit report. A timetable for the anticipated completion of these actions will be included.

B. The Institute of Internal Auditors, Inc. - Code of Ethics

Introduction

It is recommended that the Board of Trustees of Coast Community College District adopt the Institute of Internal Auditors Inc., code of ethics as the standards for the Internal Audit Department. The resolution and code of ethics are as follows:

> WHEREAS the members of the Institute of Internal Auditors, Inc., represent the profession of internal auditing, and
>
> WHEREAS managements rely on the profession of internal auditing to assist in the fulfillment of their management stewardship, and
>
> WHEREAS said members must maintain high standards of conduct, honor and character in order to carry on proper and meaningful internal auditing practice:
>
> THEREFORE BE IT RESOLVED that a Code of Ethics be now set forth, outlining the standards of professional behavior for the guidance of each member of The Institute of Internal Auditors, Inc.

Interpretation of Principles

The provisions of this Code of Ethics cover basic principles in the various disciplines of internal auditing practice. Members shall realize that individual judgment is required in the application of these principles. They have a responsibility to conduct themselves so that their good faith and integrity should not be open to question. While having due regard for the limit of their technical skills, they will promote the highest possible internal auditing standards to the end of advancing the interest of their organization.

Articles:

1. Members shall have an obligation to exercise honesty, objectivity, and diligence in the performance of their duties and responsibilities.

2. Members, in holding the trust of their employers, shall exhibit loyalty in all matters pertaining to the affairs of the employer or to whomever they may be rendering a service. However, members shall not knowingly be a party to any illegal or improper activity.

3. Members shall refrain from entering into any activity which may be in conflict with the interest of their employers or which would prejudice their ability to carry out objectively their duties and responsibilities.

4. Members shall not accept a fee or gift from an employee, a client, a customer, or a business associate of their employer without the knowledge and consent of their senior management.

5. Members shall be prudent in the use of information acquired in the course of their duties. They shall not use confidential information for any personal gain nor in a manner which would be detrimental to the welfare of their employer.

6. Members in expressing an opinion, shall use all reasonable care to obtain sufficient factual evidence to warrant such expression. In their reporting, members shall reveal such material facts known to them, which, if not revealed, could either distort the report of the results of operation under review or concealed unlawful practice.

7. Members shall continually strive for improvement in the proficiency and effectiveness of their service.

8. Members shall abide by the bylaws and uphold the objectives of The Institute of Internal Auditors, Inc. In the practice of their profession, they shall be ever mindful of their obligation to maintain the high standards of competence, morality, and dignity which The Institute of Internal Auditors, Inc., and its members have established.

C. Standards For The Professional Practice Of Internal Auditing

Introduction

It is recommended that the Board of Trustees of Coast Community College District adopt the Institute of Internal Auditors Inc., standards for the professional practice of internal auditing.

In setting these *Standards*, the following developments were considered by the Institute of Internal Auditors Inc.:

1. Boards of Directors are being held increasingly accountable for the adequacy and effectiveness of their organizations' systems of internal control and quality of performance.

2. Members of management are demonstrating increased acceptance of internal auditing as a means of supplying objective analyses, appraisals, recommendations, counsel, and information on the organization's controls and performance.

3. External auditors are using the results of internal audits to complement their own work where the internal auditors have provided suitable evidence of independence and adequate, professional audit work.

In the light of such developments, the purposes of these *Standards* are to:

1. Impart an understanding of the role and responsibilities of internal auditing to all levels of management, boards of directors, public bodies, external auditors, and related professional organizations.

2. Establish the basis for the guidance and measurement of internal auditing performance.

3. Improve the practice of internal auditing.

The *Standards* differentiate among the varied responsibilities of the organization, the internal auditing department, the director of internal auditing,and auditors.

The five general *Standards* are expressed in italicized statements in upper case. Following each of these general *Standards* are specific standards expressed in italicized statements in lower case. Accompanying each specific standard are guidelines describing suitable means of meeting that standard. The *Standards* encompass:

1. The independence of the internal auditing department from the activities audited and the objectivity of internal auditors.

2. The proficiency of internal auditors and the professional care they should exercise.

3. The scope of internal auditing work.

4. The performance of internal auditing assignments.

5. The management of the internal auditing department.

The *Standards* and the accompanying guidelines employ three terms which have been given specific meanings. These are as follows:

The term *board* includes boards of directors, audit committees of such boards, heads of agencies or legislative bodies to whom internal auditors report, boards of governors or trustees of nonprofit organizations, and any other designated governing bodies of organizations.

The terms *director of internal auditing* and *director* identify the top position in an internal auditing department.

The term *internal auditing department* includes any unit or activity within an organization which performs internal auditing functions.

100 INDEPENDENCE

Internal auditors should be independent of the activities they audit.

A. Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational status and objectivity.

110 ORGANIZATIONAL STATUS

The organizational status of the internal auditing department should be sufficient to permit the accomplishment of its audit responsibilities.

A. Internal auditors should have the support of management and of the board of directors so that they can gain the cooperation of auditees and perform their work free from interference.

1. The director of the internal auditing department should be responsible to an individual in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations.

2. The director should have direct communication with the board. Regular communication with the board helps assure independence and provides a means for the board and the director to keep each other informed on matters of mutual interest.

3. Independence is enhanced when the board concurs in the appointment or removal of the director of the internal auditing department.

4. The purpose, authority, and responsibility of the internal auditing department should be defined in a formal written document (charter). The director should seek approval of the charter by management as well as acceptance by the board. The charter should (a) establish the department's position within the organization; (b) authorize access to records, personnel, and physical properties relevant to the performance of audits; and (c) define the scope of internal auditing activities.

5. The director of internal auditing should submit annually to management for approval and to the board for its information a summary of the department's audit work schedule, staffing plan, and financial budget. The director should also submit all significant interim changes for approval and information. Audit work schedules, staffing plans, and financial budgets should inform management and the board of the scope of internal auditing work and of any limitations placed on that scope.

6. The director of internal auditing should submit activity reports to management and to the board annually or more frequently as necessary. Activity reports should highlight significant audit findings and recommendations and should inform management and the board of any significant deviations from approved audit work schedules, staffing plans, and financial budgets, and the reasons for them.

120 OBJECTIVITY

Internal auditors should be objective in performing audits.

A. Objectivity is an independent mental attitude which internal auditors should maintain in performing audits. Internal auditors are not to subordinate their judgment on audit matters to that of others.

B. Objectivity requires internal auditors to perform audits in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Internal auditors are not to be placed in situations in which they feel unable to make objective professional judgments.

1. Staff assignments should be made so that potential and actual conflicts of interest and bias are avoided. The director should periodically obtain from the audit staff information concerning potential conflicts of interest and bias.

2. Internal auditors should report to the director any situations in which a conflict of interest or bias is present or may reasonably be inferred. The director should then reassign such auditors.

3. Staff assignments of internal auditors should be rotated periodically whenever it is practicable to do so.

4. Internal auditors should not assume operating responsibilities. But if on occasion management directs internal auditors to perform nonaudit work, it should be understood that they are not functioning as internal auditors. Moreover, objectivity is presumed to be impaired when internal auditors audit any activity for which they had authority or responsibility. This impairment should be considered when reporting audit results.

5. Persons transferred to or temporarily engaged by the internal auditing department should not be assigned to audit those activities they previously performed until a reasonable period of time has elapsed. Such assignments are presumed to impair objectivity and should be considered when supervising the audit work and reporting audit results.

6. The results of internal audit work should be reviewed before the related audit report is released to provide reasonable assurance that the work was performed objectively.

C. The internal auditor's objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented. Designing, installing, and operating systems are not audit functions. Also, the drafting of procedures for systems is not an audit function. Performing such activities is presumed to impair audit objectivity.

200 PROFESSIONAL PROFICIENCY

Internal audits should be performed with proficiency and due professional care.

A. Professional proficiency is the responsibility of the internal auditing department and each internal auditor. The department should assign to each audit those persons who collectively possess the necessary knowledge, skills, and disciplines to conduct the audit properly.

The Internal Auditing Department

210 Staffing

The internal auditing department should provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audits to be performed.

A. The director of internal auditing should establish suitable criteria of education and experience for filling internal auditing positions, giving due consideration to scope of work and level of responsibility.

B. Reasonable assurance should be obtained as to each prospective auditor's qualifications and proficiency.

220 Knowledge, Skills, and Disciplines

The internal auditing department should possess or should obtain the knowledge, skills, and disciplines needed to carry out its audit responsibilities.

A. The internal auditing staff should collectively possess the knowledge and skills essential to the practice of the profession within the organization. These attributes include proficiency in applying internal auditing standards, procedures, and techniques.

B. The internal auditing department should have employees or use consultants who are qualified in such disciplines as accounting, economics, finance, statistics, electronic data processing, engineering, taxation, and law as needed to meet audit responsibilities. Each member of the department, however, need not be qualified in all of these disciplines.

230 Supervision

The internal auditing department should provide assurance that internal audits are properly supervised.

A. The director of internal auditing is responsible for providing appropriate audit supervision. Supervision is a continuous process, beginning with planning and ending with the conclusion of the audit assignment.

B. Supervision includes:

1. Providing suitable instructions to subordinates at the outset of the audit and approving the audit program.

2. Seeing that the approved audit program is carried out unless deviations are both justified and authorized.

3. Determining that audit working papers adequately support the audit findings, conclusions, and reports.

4. Making sure that audit reports are accurate, objective, clear, concise, constructive, and timely.

5. Determining that audit objectives are being met.

C. Appropriate evidence of supervision should be documented and retained.

D. The extent of supervision required will depend on the proficiency of the internal auditors and the difficulty of the audit assignment.

E. All internal auditing assignments, whether performed by or for the internal auditing department, remain the responsibility of its director.

The Internal Auditor

240 Compliance with Standards of Conduct

Internal auditors should comply with professional standards of conduct.

A. The *Code of Ethics* of The Institute of Internal Auditors sets forth standards of conduct and provides a basis for enforcement among its members. The *Code* calls for high standards of honesty, objectivity, diligence, and loyalty to which internal auditors should conform.

250 Knowledge, Skills, and Disciplines

Internal auditors should possess the knowledge, skills, and disciplines essential to the performance of internal audits.

A. Each internal auditor should possess certain knowledge and skills as follows:

1. Proficiency in applying internal auditing standards, procedures, and techniques is required in performing internal audits. Proficiency means the ability to apply knowledge to situations likely to be encountered and to deal with them without extensive recourse to technical research and assistance. .

2. Proficiency in accounting principles and techniques is required of auditors who work extensively with financial records and reports.

3. An understanding of management principles is required to recognize and evaluate the materiality and significance of deviations from good business practice. An understanding means the ability to apply broad knowledge to situations likely to be encountered, to recognize significant deviations, and to be able to carry out the research necessary to arrive at reasonable solutions.

4. An appreciation is required of the fundamentals of such subjects as accounting, economics, commercial law, taxation, finance, quantitative methods, and computerized information systems. An appreciation means the ability to recognize the existence of problems or potential problems and to determine the further research to be undertaken or the assistance to be obtained.

260 Human Relations and Communications

Internal auditors should be skilled in dealing with people and in communicating effectively.

A. Internal auditors should understand human relations and maintain satisfactory relationships with auditees.

B. Internal auditors should be skilled in oral and written communications so that they can clearly and effectively convey such matters as audit objectives, evaluations, conclusions, and recommendations .

270 Continuing Education

Internal auditors should maintain their technical competence through continuing education.

A. Internal auditors are responsible for continuing their education in order to maintain their proficiency. They should keep informed about improvements and current developments in internal auditing standards, procedures, and techniques. Continuing education may be obtained through membership and participation in professional societies; attendance at conferences, seminars, college courses, and in-house training programs; and participation in research projects.

280 Due Professional Care

Internal auditors should exercise due professional care in performing internal audits.

A. Due professional care calls for the application of the care and skill expected of a reasonably prudent and competent internal auditor in the same or similar circumstances. Professional care should, therefore, be appropriate to the complexities of the audit being performed. In exercising due professional care, internal auditors should be alert to the possibility of intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest. They should also be alert to those conditions and activities where irregularities are most likely to occur. In addition, they should identify inadequate controls and recommend improvements to promote compliance with acceptable procedures and practices.

B. Due care implies reasonable care and competence, not infallibility or extraordinary performance. Due care requires the auditor to conduct examinations and verifications to a reasonable extent, but does not require detailed audits of all transactions. Accordingly, the internal auditor cannot give absolute assurance that noncompliance or irregularities do not exist. Nevertheless, the possibility of material irregularities or noncompliance should be considered whenever the internal auditor undertakes an internal auditing assignment.

C. When an internal auditor suspects wrongdoing, the appropriate authorities within the organization should be informed. The internal auditor may recommend whatever investigation is considered necessary in the circumstances. Thereafter, the auditor should follow up to see that the internal auditing department's responsibilities have been met.

D. Exercising due professional care means using reasonable audit skill and judgment in performing the audit. To this end, the internal auditor should consider:

1. The extent of audit work needed to achieve audit objectives.

2. The relative materiality or significance of matters to which audit procedures are applied.

3. The adequacy and effectiveness of internal controls.

4. The cost of auditing in relation to potential benefits.

E. Due professional care includes evaluating established operating standards and determining whether those standards are acceptable and are being met. When such standards are vague, authoritative interpretations should be sought. If internal auditors are required to interpret or select operating standards, they should seek agreement with auditees as to the standards needed to measure operating performance.

300 SCOPE OF WORK

The scope of the internal audit should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities

A. The scope of internal auditing work, as specified in this standard, encompasses what audit work should be performed. It is recognized, however, that management and the board of directors provide general direction as to the scope of work and the activities to be audited.

B. The purpose of the review for adequacy of the system of internal control is to ascertain whether the system established provides reasonable assurance that the organization's objectives and goals will be met efficiently and economically.

C. The purpose of the review for effectiveness of the system of internal control is to ascertain whether the system is functioning as intended.

D. The purpose of the review for quality of performance is to ascertain whether the organization's objectives and goals have been achieved.

E. The primary objectives of internal control are to ensure:

1. The reliability and integrity of information.

2. Compliance with policies, plans, procedures, laws, and regulations.

3. The safeguarding of assets.

4. The economical and efficient use of resources.

5. The accomplishment of established objectives and goals for operations or programs.

310 Reliability and Integrity of Information

Internal auditors should review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

A. Information systems provide data for decision making, control, and compliance with external requirements. Therefore, internal auditors should examine information systems and, as appropriate, ascertain whether:

1. Financial and operating records and reports contain accurate, reliable, timely, complete, and useful information.

2. Controls over record keeping and reporting are adequate and effective.

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320 Compliance with Policies, Plans, Procedures, Laws and Regulations

Internal auditors should review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.

A. Management is responsible for establishing the systems designed to ensure compliance with such requirements as policies, plans, procedures, and applicable laws and regulations. Internal auditors are responsible for determining whether the systems are adequate and effective and whether the activities audited are complying with the appropriate requirements.

330 Safeguarding of Assets

Internal auditors should review the means of safe guarding assets and, as appropriate, verify the existence of such assets.

A. Internal auditors should review the means used to safeguard assets from various types of losses such as those resulting from theft, fire, improper or illegal activities, and exposure to the elements.

B. Internal auditors, when verifying the existence of assets, should use appropriate audit procedures.

340 Economical and Efficient Use of Resources

Internal auditors should appraise the economy and efficiency with which resources are employed.

A. Management is responsible for setting operating standards to measure an activity's economical and efficient use of resources. Internal auditors are responsible for determining whether:

1. Operating standards have been established for measuring economy and efficiency.

2. Established operating standards are understood and are being met.

3. Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action.

4. Corrective action has been taken.

B. Audits related to the economical and efficient use of resources should identify such conditions as:

a. Underutilized facilities.
b. Nonproductive work.
c. Procedures which are not cost justified.
d. Overstaffing or understaffing.

350 Accomplishment of Established Objectives and Goals for Operations or Programs

Internal auditors should review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

A. Management is responsible for establishing operating or program objectives and goals, developing and implementing control procedures, accomplishing desired operating or program results. Internal auditors should ascertain whether such objectives and goals conform with those of the organization and whether they are being met.

B. Internal auditors can provide assistance to managers who are developing objectives, goals, and systems by determining whether the underlying assumptions are appropriate; whether accurate, current, and relevant information is being used; and whether suitable controls have been incorporated into the operations or programs.

400 PERFORMANCE OF AUDIT WORK

Audit work should include planning the audit, examining and evaluating information, communicating results, and following up.

A. The internal auditor is responsible for planning and conducting the audit assignment, subject to supervisory review and approval.

410 Planning the Audit

Internal auditors should plan each audit.

A. Planning should be documented and should include:

1. Establishing audit objectives and scope of work.

2. Obtaining background information about the activities to be audited.

3. Determining the resources necessary to perform the audit.

4. Communicating with all who need to know about the audit.

5. Performing, as appropriate, an on-site survey to become familiar with the activities and controls to be audited, to identify areas for audit emphasis, and to invite auditee comments and suggestions.

6. Writing the audit program.

7. Determining how, when, and to whom audit results will be communicated.

8. Obtaining approval of the audit work plan.

420 Examining and Evaluating Information

Internal auditors should collect, analyze, interpret, and document information to support audit results.

A. The process of examining and evaluating information is as follows:

1. Information should be collected on all matters related to the audit objectives and scope of work.

2. Information should be sufficient, competent, relevant, and useful to provide a sound basis for audit findings and recommendations.

   Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor.

   Competent information is reliable and the best attainable through the use of appropriate audit techniques.

   Relevant information supports audit findings and recommendations and is consistent with the objectives for the audit.

   Useful information helps the organization meet its goals.

3. Audit procedures, including the testing and sampling techniques employed, should be selected in advance, where practicable, and expanded or altered if circumstances warrant.

4. The process of collecting, analyzing, interpreting, and documenting information should be supervised to provide reasonable assurance that the auditor's objectivity is maintained and that goals are met.

5. Working papers that document the audit should be prepared by the auditor and reviewed by management of the internal auditing department. These papers should record the information obtained and the analyses made and should support the bases for the findings and recommendations to be reported.

430 Communicating Results

Internal auditors should report the results of their audit work.

1. A signed, written report should be issued after the audit examination is completed. Interim reports may be written or oral and may be transmitted formally or informally.

2. The internal auditor should discuss conclusions and recommendations at appropriate levels of management before issuing final written reports.

3. Reports should be objective, clear, concise, constructive, and timely.

4. Reports should present the purpose, scope, and results of the audit; and, where appropriate, reports should contain an expression of the auditor's opinion.

5. Reports may include recommendations for potential improvements and acknowledge satisfactory performance and corrective action.

6. The auditee's views about audit conclusions or recommendations may be included in the audit report.

7. The director of internal auditing or designee should review and approve the final audit report before issuance and should decide to whom the report will be distributed.

440 Following up

Internal auditors should follow up to ascertain that appropriate action is taken on reported audit findings.

1. Internal auditing should determine that corrective action was taken and is achieving the desired results, or that management or the board has assumed the risk of not taking corrective action on reported findings.

500 MANAGEMENT OF THE INTERNAL AUDITING DEPARTMENT

The director of internal auditing should properly manage the internal auditing department.

A. The director of internal auditing is responsible for properly managing the department so that:

1. Audit work fulfills the general purposes and responsibilities approved by management and accepted by the board.

2. Resources of the internal auditing department are efficiently and effectively employed.

3. Audit work conforms to the *Standards for the Professional Practice of Internal Auditing*.

510 Purpose, Authority, and Responsibility

The director of internal auditing should have a statement of purpose, authority, and responsibility for the internal auditing department.

A. The director of internal auditing is responsible for seeking the approval of management and the acceptance by the board of a formal written document (charter) for the internal auditing department.

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520 Planning

The director of internal auditing should establish plans to carry out responsibilities of the internal auditing department.

A. These plans should be consistent with the internal auditing department's charter and with the goals of the organization.

B. The planning process involves establishing.

.1 Goals
.2 Audit work schedules
.3 Staffing plans and financial budgets
.4 Activity reports

C. The *goals* of the internal auditing department should be capable of being accomplished within specified operating plans and budgets and, to the extent possible, should be measurable. They should be accompanied by measurement criteria and targeted dates of accomplishment.

D. *Audit work schedules* should include (a) what activities are to be audited; (b) when they will be audited; and (c) the estimated time required, taking into account the scope of the audit work planned and the nature and extent of audit work performed by others. Matters to be considered in establishing audit work schedule priorities should include (a) the date and results of the last audit; (b) financial exposure; (c) potential loss and risk; (d) requests by management; (e) major changes in operations, programs, systems, and controls; (f) opportunities to achieve operating benefits; and (g) changes to and capabilities of the audit staff. The work schedules should be sufficiently flexible to cover unanticipated demands on the internal auditing department.

E. *Staffing plans and financial budgets*, including the number of auditors and the knowledge, skills, and disciplines required to perform their work, should be determined from audit work schedules, administrative activities, education and training requirements, and audit research and development efforts.

F. *Activity reports* should be submitted periodically to management and to the board. These reports should compare (a) performance with the department's goals and audit work schedules and (b) expenditures with financial budgets. They should explain the reasons for major variances and indicate any action taken or needed.

530 Policies and Procedures

The director of internal auditing should provide written policies and procedures to guide the audit staff.

A. The form and content of written policies and procedures should be appropriate to the size and structure of the internal auditing department and the complexity of its work. Formal administrative and technical audit manuals may not be needed by all internal auditing departments. A small internal auditing department may be managed informally. Its audit staff may be directed and controlled through daily, close

supervision and written memoranda. In a large internal auditing department, more formal and comprehensive policies and procedures are essential to guide the audit staff in the consistent compliance with the department's standards of performance.

540 Personnel Management and Development

The director of internal auditing should establish a program for selecting and developing the human resources of the internal auditing department.

A. The program should provide for:

1. Developing written job descriptions for each level of the audit staff.

2. Selecting qualified and competent individuals.

3. Training and providing continuing educational opportunities for each internal auditor.

4. Appraising each internal auditor's performance at least annually.

5. Providing counsel to internal auditors on their performance and professional development.

550 External Auditors

The director of internal auditing should coordinate internal and external audit efforts.

A. The internal and external audit work should be coordinated to ensure adequate audit coverage and to minimize duplicate efforts.

B. Coordination of audit effort involves:

1. Periodic meetings to discuss matters of mutual interest.

2. Access to each other's audit programs and working papers.

3. Exchange of audit reports and management letters.

4. Common understanding of audit techniques, methods, and terminology.

C. The existence of an internal auditor does not relieve the external auditor of his responsibility to conduct such audit work as is necessary to support the content of his report. Accordingly, before relying on conclusions reached by the internal auditor, the external auditor would need to consider the internal auditor's competence and objectivity and evaluate his work.

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560 Quality Assurance

The director of internal auditing should establish and maintain a quality assurance program to evaluate the operations of the internal auditing department.

A. The purpose of this program is to provide reasonable assurance that audit work conforms with these *Standards*, the internal auditing department's charter, and other applicable standards. A quality assurance program should include the following elements:

a. Supervision.
b. Internal reviews.
c. External reviews.

B. *Supervision* of the work of the internal auditors should be carried out continually to assure conformance with internal auditing standards, departmental policies, and audit programs.

C. *Internal reviews* should be performed periodically by members of the internal auditing staff to appraise the quality of the audit work performed. These reviews should be performed in the same manner as any other internal audit.

D. *External reviews* of the internal auditing department should be performed to appraise the quality of the department's operations. These reviews should be performed by qualified persons who are independent of the organization and who do not have either a real or an apparent conflict of interest. Such reviews should be conducted at least once every three years. On completion of the review, a formal, written report should be issued. The report should express an opinion as to the department's compliance with the *Standards for the Professional Practice of Internal Auditing* and, as appropriate, should include recommendations for improvement.

CONTRA COSTA COMMUNITY COLLEGE DISTRICT
INTERNAL AUDIT
Procedures

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Std ### refers to the Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors

SIAS # refers to the Statements on Internal Auditing Standards, Institute of Internal Auditors

NOTIFICATION TO AUDITEE OF PENDING AUDIT

The auditee should be formally notified of the audit including:

1. Audit objective and scope
2. Audit schedule
3. Name of the auditor
4. Preliminary questionnaire (if any) and instructions for it

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Example

TO: Dept. Manager

FROM: District Business/Facilities Manager

SUBJ: Audit of X Department

The District's Internal Auditor is planning to perform a review of the activities at Department X in the very near future. Ms. Osgood will arrive at your department on or about . Ms. Osgood will call you a few days before her arrival to tell you the exact date.

To save the time of both the Internal Auditor and your staff, she has developed a set of questionnaires which should elicit a good deal of the information she will need. This is to request that you attach any relevant reports and records to illustrate your answers. If the answers to the questions could be prepared in advance of her visit, it would simplify the audit and reduce the length of the auditor's stay at your department.

Hold the answered questions pending the Internal Auditor's visit. After she has had an opportunity to review the replies and the supporting documentation, please assign someone to provide her with a "walk through" of the department, to answer any further questions she might have, and to assist her through the remainder of her audit.

I shall appreciate your according full cooperation to the Internal Auditor and providing her with any assistance she may need.

cc: College Director of Business Services

PLANNING THE AUDIT

Overall approach is as follows:

1. Obtain assignment for the project
2. Review permanent file
3. Read previous audit reports
   a. Summarize prior deficiency comments
4. Review pertinent internal auditing and industry literature.
5. Review:
   a. Organization charts
   b. Policy statements
   c. Directives

6. Conduct preliminary survey
7. Prepare or revise audit program
8. Obtain approval for audit work plan in the event of major scope changes

Audit planning requires the development of an overall strategy concerning the objectives, scope, and conduct of the audit. The following objectives can be emphasized to varying degrees:

1. Reliability and integrity of information
2. Compliance with established procedures
3. Safeguarding of assets
4. Accomplishment of business objectives
5. Efficient use of resources
6. Adequacy and effectiveness of internal control
7. Identification of risk areas
8. Prevention and detection of fraud

The scope of the audit is determined by the objectives and the nature of the auditee. In planning the auditor should consider:

1. District's accounting policies and procedures affecting auditee
2. Auditee's system of internal control
3. Adequacy of internal control
4. Estimates of materiality levels
5. Items expected to require adjustments and recommendations for change
6. Conditions that may require extension or modification of audit procedures
7. Nature of expected audit reports and correspondence

The permanent file is an important source of information for planning work. A permanent file is usually established for each area audited. It contains data of recurring importance (in contrast to the data stored in the current file), including:

1. Prior audit reports and replies
2. Records of prior reviews with operating managers relative to the activity under review
3. Post audit comments by the previous auditor indicating special problem areas
4. Records of reports to management
5. Audit programs and questionnaires
6. Organization charts
7. Flowcharts

Prior auditors and other department personnel may provide other information on

1. Areas of auditee operations with potential for improvement
2. Possible methods of implementing audit efficiencies
3. Impressions (intuitive expectations) as distinguished from audit comments on the activities to be reviewed
4. Possible problem areas pointing toward embezzlement or other forms of fraud
5. Possible violations of safe practices, regulations, etc.

Finally audit planning should not be an extended affair. Just enough information should be gathered to provide an adequate basis for conducting the preliminary survey and preparing a preliminary audit program.

PRELIMINARY SURVEY

During the preliminary survey, the internal auditor learns about the auditee's objectives, organization, operations, information systems, personnel, and internal control structure. The preliminary survey is an opportunity for the internal auditor and auditee to begin a participative audit. Details of the engagement can also be worked out during this preliminary meeting. The preliminary survey is the basis for preparing the audit program.

Defects in control discovered during the preliminary survey should be immediately communicated to the person who can best take corrective action:

1. The initial communication should be oral. If corrective action is taken, no further audit steps are needed until the final report.
2. If corrective action is not taken, if the defect is significant, and if in the auditor's opinion correction cannot be safely delayed, the District Business/ Facilities Manager should be alerted immediately.

Preparation for the Preliminary Meeting

The auditor should gain as much familiarity as possible with the auditee's area before the first meeting. Sources include:

1. Management's charter for the activities to be reviewed
2. Organization charts
3. The Internal Auditor's permanent file
4. Prior internal audit reports
5. Prior working papers

A questionnaire should be constructed to elicit the needed information. Examples of questions are:

1. How many sections and people are in the activity or department?
2. What activities are carried out and which are the most important and/or the most troublesome?
3. How is control exercised and what reports are received?
4. How are employees trained and what standards must they meet?
5. How are priorities set for the work?
6. What are normal backlogs?
7. What other entities are affected and what type of feedback is received from them?
8. What areas need the most managerial attention?
9. What is the status of any deficiency comments from the last internal audit and what changes have occurred since then?
10. What methods are used to ensure proper payments to suppliers?
11. What methods are used to safeguard assets and facilities?
12. How is the need for repetitive reports determined?

The questionnaire may be sent to the auditee for completion prior to the auditor's arrival for discussion at the preliminary meeting.

The Preliminary Meeting

The preliminary meeting with the auditee should set a cooperative tone for the audit and should attempt to calm auditee anxieties. The auditor should be candid about the audit objectives and should discuss audit methods (except in cash audits and fraud investigations).

The internal auditor should stress that all comments and recommendations will be promptly discussed with the auditee and that an opportunity will be afforded for corrective action prior to report issuance. The internal auditor should also stress that positive action in the auditee's area will be noted.

The preliminary meeting will proceed systematically and efficiently if the internal auditor has prepared a list of questions and requests about such matters as the following:

1. The organization of the activity and all subactivities, including their objectives
2. Financial information and statistical or quantitative data
3. Operating and job instructions
4. Performance standards
5. Flow of records and processes depicted by flowchart, if available
6. Areas experiencing difficulties or where risks appear likely
7. Matters that may be of interest to higher management
8. Areas operating well and efficiently

Probable sources for such information include:

1. Discussions with supervisors and employees
2. Correspondence files
3. Budgets
4. Statements of long range and short range objectives and reports on their accomplishment
5. Procedures manuals
6. Reports by and to governmental agencies relevant to the audit area

A physical inspection of the premises (a "walk through") is essential if the auditor is to obtain a frame of reference for policies, procedures, and organization charts. During these inspections, the auditor may ask these questions:

1. Is work being completed on schedule and at acceptable quality levels?
2. Are reports made on difficulties encountered and are the reports acted upon?
3. What problems are being experienced?
4. Has corrective action proven successful?

Precise and specific information can also be obtained by "walking through" sample transactions.

Preliminary Evaluation of Internal of Control

A principal purpose of the auditor's assessment of control in the preliminary survey is to decide the extent to which transactions must be tested during the audit to appraise the effectiveness of the systems in use.

1. Poor controls may suggest the need for extensive tests
2. Excellent controls may permit a sharp reduction in the number of transactions to be tested or even the elimination of some tests and a positive comment on same in the internal audit report

The effectiveness of a process or operation is directly related to the capabilities of the people doing the work.

1. The extent of the tests may therefore be affected by the auditor's evaluation of the personnel carrying out the processes or operations.
2. Accordingly, a preliminary survey should include an assessment of employee training, background and education. The auditor might ask:
   a. Is there rapid turnover?
   b. Do employees have adequate educational background?
   c. Are training programs adequate?
   d. Is there a reasonable mix of ages?
   e. Is there adequate backup?
   f. Are employees kept adequately informed?
   g. Are vacations required?
   h. Are assignments rotated within the employee's description of duties and responsibilities?

The auditor should be alert during the preliminary survey for any indicators of risk. For example, in areas such as bookstores, cafeterias, stores inventory, etc.:

1. Customer/student complaints
2. Poor inventory turnover ratios and other ratios
3. Prolonged poor quality from suppliers
4. Increases in the volume of returns and allowances
5. Unexplained variances in expenses or other operational indices
6. Excessive employee turnover

The auditor can help cement good relations by suggesting another meeting after the preliminary survey to:

1. Give a brief report of initial audit impressions
2. Discuss the auditee's views on the key objectives of the department
3. Set forth the general thrust of the audit program

PRELIMINARY AUDIT PROGRAM

Audit programs, which are based on the results of the preliminary survey, are listings of the audit procedures to be carried out during field work. Audit procedures result in audit back-up, which is the basis for the internal auditor's opinion, deficiency comments, recommendations, positive comments, etc. Audit programs should be designed to:

1. Outline what is to be done
2. Specify how it is to be done
3. Provide for a record of what has been done
4. Facilitate supervision and control of the audit

Note: Substantial attention should always be directed to known and/or suspected areas of risk.

The audit program should indicate the objectives of the operations being audited as disclosed during the preliminary survey.

1. The audit program should also indicate the controls in effect or needed to carry out the objectives of the operation
2. Matching the activity's objectives to its existing controls may reveal that
   a. One or more controls necessary to attain objectives are missing
   b. One or more controls are unnecessary, redundant, or inefficient
3. The program should provide for test of transactions to obtain evidence as to whether the controls are functioning as intended and desired results (objectives) are being achieved

Note: Major changes to audit programs will be brought to the attention of the District Business/Facilities Manager.

AUDIT TIME BUDGET AND SUMMARY

A record of budgeted and actual hours will be maintained for all internal audits with the exception of special projects. Because of their nature, special projects may be difficult to budget, however, a record will be maintained of actual hours.

APPLICATION OF AUDIT PROCEDURES - FIELD WORK

Field work is the implementation of the audit program, i.e., consideration of the adequacy and effectiveness of an auditee's internal controls and quality of performance. Field work includes all the work of accumulating, classifying, and appraising information to

1. reach conclusions
2. identify deficiency conditions and seek their correction, and
3. suggest improvements in operating practices

Audit testing involves the measurement of selected transactions or processes against operating standards. The purpose is to obtain audit evidence toward formulation of an audit opinion. The steps in testing are:

1. Determine and evaluate the operating standards
2. Define the population
3. Select a sample
4. Examine the transactions
5. Note any variances from operating standards

Standards of Performance

Operating standards are necessary to permit audit evaluation. Management is responsible for setting operating standards and internal auditors are responsible for determining whether

1. Operating standards have been established for measuring economy and efficiency
2. Established operating standards are understood and are being met
3. Deviations from operating standards are identified, analyzed, and communicated to those responsible for corrective action
4. Corrective action has been taken

Thus the internal auditor should review operating standards for reasonableness prior to performing audit tests. If the standards are vague or nonexistent, the auditor must see that the standards are established prior to audit testing.

1. Auditee management should establish or revise the standards when appropriate.
2. If auditee management does not establish the standards, the auditor should establish (for the purpose of the audit evaluation) the operating standards from
   a. Management directives
   b. Job instructions in operating manuals
   c. Budget requirements
   d. Reports on accepted common practice
   e. Statutory or regulatory compliance
   f. Past performance records
   g. Authoritative professional publications

This should be agreed to by the auditee, or agreed to by the District Business/Facilities Manager.

WORKPAPER STANDARDS

The primary purpose of workpapers is to support the internal auditor's report by providing the details needed to prepare the report. They contain the record of the internal auditor's activities from the beginning to the end of the audit. Because they show clearly the nature and extent of audit work done, workpapers may be important if disputes arise or the subject matter becomes a legal issue. They contain evidence of the procedures followed, tests performed, and conclusions reached.

Standards

A. Each workpaper should usually contain:
   1. A descriptive heading
   2. A legend of tickmarks and symbols
   3. The date of preparation and the auditor's initials
   4. Reference numbers of the workpapers
   5. Sources of data should be clearly identified

B. Workpapers should have summaries throughout.
   1. These provide a concise statement of data contained in subsequent schedules.
   2. Summarization can be accomplished several ways:
      a. Summarizing the scope and findings of a test so that the reviewer can readily see
         1. The objective of the test
         2. The relationship between improper transactions and the population sampled
         3. How exceptions were handled
         4. The internal auditor's conclusion
      b. Summarizing the work on the assignment can be done by recording conclusions in the audit program as each audit segment is completed.
      c. Summarizing reportable deficiency comments so their nature and materiality become promptly apparent.
      d. Summarizing reportable positive comments.

C. Workpapers should be indexed and cross-referenced throughout.

OWNERSHIP, CUSTODY, AND RETENTION

1. Internal audit workpapers are the property of the District.
2. Internal audit workpaper files are to remain under the control of the internal auditor. They will be kept in locked files and will be formally signed out when others (government auditors, external auditors, etc.) review the workpapers. Requests for access to workpapers from other individuals outside the District must be approved by District Business/Facilities Manager.
3. Routine internal audit workpapers will be retained for five years.

REPORT FORMAT

There are several types of reports which depend on the type of audit, the results of the audit, and the needs of management:

1. Formal - structured format
2. Informal - memos to management
3. Progress - with brief statements of conditions requiring immediate attention

Formal Reports

All finalized internal audit reports will be signed, dated, and addressed to the District Business/Facilities manager. All formal reports should contain the following:

1. Background or Introduction
   a. Should describe who requested the internal audit and why, if applicable
   b. May also include a brief summary of the type of operation if necessary
2. Purpose or Objective
   a. Should describe the purpose or objective of the internal audit
3. Scope
   a. Defines exactly what was reviewed and what was not reviewed (e.g. processes, transactions, systems, time periods, etc...)
4. Opinion
   a. Is related to the purpose and scope and should clearly state the auditor's opinion about whether the systems, accounts, etc., reviewed were:

EXCELLENT:	Virtually all desired controls are in operation, only very minor exceptions were noted and back-up controls exist for all weaknesses noted.
GOOD:	Most material controls are in operation and the exposures found are minor in extent and nature, usually backed up by other controls.
STANDARD:	Attention should be given to some exposures in protective and compliance controls; however, reasonable assurance exists that current controls afford the college/district adequate protection.
MARGINAL:	Early attention should be given to exposures in protective and compliance controls; any deterioration in current controls can lead to serious exposures.
SUBSTANDARD*:	Requires immediate attention to serious exposures in protective and compliance controls; exposures exist which could make the college vulnerable to significant losses.

*May be modified as SERIOUSLY OR DANGEROUSLY SUBSTANDARD where conditions warrant.

5. Comments and Recommendations
   a. Each comment should contain all of the following if possible
      1. Statement of Condition (fact)
      2. Criteria
      3. Cause
      4. Impact or Effect
   b. Corrective action taken should be included in the recommendation.
6. Auditee's Response
   a. Can be included after each comment and recommendation, or
   b. Can be attached to the internal audit report
7. Auditor's Response to Auditee's Response
   a. As part of the internal auditor's discussions with the auditee, the internal auditor should try to obtain agreement on the results of the audit and on a plan of action to improve operations, as needed. If the internal auditor and auditee disagree about the audit results, the audit report may state both positions and the reasons for the disagreement.

Informal Reports - Will be used to communicate the results of minor area and policy reviews.

Progress Reports - If the auditor finds significant deficiencies and corrective action is not taken, if the defect is significant, and if in the auditor's opinion correction cannot be safely delayed, management should be alerted in an interim or progress report.

REPORT DRAFT REVIEW WITH AUDITEES

All report drafts will be reviewed with the auditee (except in fraud cases) prior to being released to upper management. This serves two purposes.

1. It gives the auditee an opportunity to review and respond to the report before it is distributed, and
2. It gives the auditor the opportunity to make sure that all representations in the report are accurate (i.e. that there were no errors in translation or misunderstandings).

Depending on the nature of the report,

1. Report reviews with the auditee could be expedited by sending out review copies in advance of the meeting
2. Review copies could be sent out with instructions to include comments on the face of the report

If revisions are required, the auditor will forward the revised copy to the auditee for their response.

Review conferences and any material changes to the audit report should be documented in the workpapers.

FINAL REPORT DISTRIBUTION

Once the draft report has been reviewed with the auditee and is complete, the report will be signed, dated, and forwarded to the District Business/Facilities Manager. Report distribution will be done by the District Business/Facilities Manager. A copy of the District Business/Facilities Manager's cover letter as well as a list of those who received copies of the internal audit report will be forwarded to the Internal Auditor.

AUDITEE REPLIES TO AUDIT REPORTS

The District Business/Facilities Manager should receive the auditee's reply to the audit report and determine the adequacy of that reply. If the reply is inadequate or inappropriate, the District Business/Facilities Manager will discuss with the Internal Auditor and appropriate administrative staff. A copy of the reply will be forwarded to the Internal Auditor for inclusion in the workpapers.

FOLLOW UP ON AUDIT RECOMMENDATIONS

The District Business/Facilities Manager should determine that

1. Corrective action is being taken and that it has the desired results
2. Or management or the board has assumed the risk of not taking corrective action

Follow up reports will be distributed to those who received copies of the original audit report.

JOB DESCRIPTIONS

While there is no set job description for an internal auditor, professional licensing or certification is recommended. Some states that have adopted internal auditing legislation require the director of internal audit in governmental agencies to be either a Certified Public Accountant or Certified Internal Auditor.

Attached are sample job descriptions for community college internal auditors in California.

More information on job description and selecting and developing staff is available in Chapters 16 and 17 of Sawyers Internal Auditing.

COAST COMMUNITY COLLEGE DISTRICT

EMPLOYMENT OPPORTUNITY

For additional opportunities, please call 432-5586

- ORANGE COAST COLLEGE COSTA MESA
- COASTLINE COMMUNITY COLLEGE
- GOLDEN WEST COLLEGE HUNTINGTON BEACH
- KOCE-TV (50) PBS

PERSONNEL SERVICES | 1370 ADAMS AVENUE | COSTA MESA, CA 92626

Internal Auditor

#D-021-90

$34,968 - $52,885/Annually
(Salary Range G-24)

February 13, 1990
Coast Community College District
Business Affairs
Closing Date: 5:00 p.m.
March 13, 1990

Conditions of Employment:

This is a regular, full-time, 12-month per year, Classified Management position. The normal hours of work will be 8:00 a.m. to 5:00 p.m., Monday through Friday, and the effective date of employment will be arranged with the supervisor.

Definition:

Under the direction of the Chancellor and in conjunction with the Vice Chancellor of Business Affairs, is responsible for all internal audit functions of the District, augmenting but not supplanting the auditing activities of the independent auditor.

Examples of Duties:

a. Reviews and appraises the District system of internal control and recommends improvements wherever needed to strengthen internal control.
b. Becomes familiar with the rules and regulations of the State Chancellor's Office and the policies of the District Board of Trustees and audits the operations of the District for compliance.
c. Conducts systematic audits, following an approved Internal Audit program, to ascertain the reliability of the accounting and reporting systems and the degree of conformity to acceptable guidelines.
d. Conducts unannounced audits in areas where cash or other assets may be subject to misappropriation, in order to safeguard said assets and to prevent and/or discover fraud.
e. Reviews audit findings with personnel and supervisors of areas being audited, prepares and presents to appropriate authorities an audit report on each major audit; and prepares and presents special reports on internal control deficiencies or other special problems.
f. Assists the Vice Chancellor for Business Affairs' staff in the implementation of any new accounting procedures and systems and recommends appropriate accounting treatment for year-end adjustments and year-end closing activities.
g. Reviews special studies conducted by the Vice Chancellor of Business Affairs' staff such as indirect cost rate studies, state-mandated cost analysis reports, or routine enrollment reports.
h. Performs special audits, not included in the Internal Audit Program, at the request of the Vice Chancellor or his designate.
i. Assists the Vice Chancellor of Business Affairs in developing responses to discrepancies or adverse findings, reported by the independent auditor, including suggestions for taking corrective actions where the Chancellor deems advisable.
j. Participates in planning of further computerization, particularly by making suggestions to strengthen internal control through imaginative computer edit routines.
k. Studies on a continuing basis changes in State and Federal Laws, regulations or audit and compliance reviews as they relate to Coast Community College District (Internal Revenue Service, State Chancellor's Office or others) and brings new developments to the attention of appropriate District personnel.

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Coast Community College District is an
Affirmative Action and Equal Employment Opportunity Employer

Internal Auditor
D-021-90

Examples of Duties: (Continued)

l. Under the direction of the Chancellor, prepares written quarterly reports to the District Board of trustees and distributes a brief descriptive statement of work performed during the last quarter.
m. Performs other duties as required.

Minimum Qualifications:

1. Knowledge of the principles, practices and procedures, laws, rules and regulations which are applicable in the course of audits.
2. Ability to plan and organize all auditing functions in a manner that produces effective and efficient results.
3. Ability to exercise sound judgment in determining and carrying out proper audit procedures.
4. Demonstrated ability to prepare concise written reports.
5. Ability to make verbal presentations to administrators and Board of Trustees upon request.

Education/Experience:

1. Graduation from an accredited four-year college or university with a major in accounting or a valid License to practice as a Certified Public Accountant in California.
2. Three years recent professional field audit experience with an internal auditing unit or with a commercial auditing firm in financial or operational auditing.

Desirable Qualifications:

1. Audit experience in an educational institution with an automated accounting system.
2. Familiarity with computer equipment and computer audit software.

Employee Benefits:

The District provides a comprehensive benefits program. Dental and vision care plans for employees and dependents, and life insurance and income protection plans for employees are fully paid by the District. A variety of medical plans covering employees and their dependents are available, with the District paying the major portion of the cost. Other liberal benefits include, on an annual basis: vacation, 12 days the first year; sick leave, 12 days; holidays, averaging 12 days. Employees participate in both the Public Employees Retirement System and Social Security. Some benefits may be pro-rated for employees working less than 12 months per year or less than full-time.

Application Procedures:

The completed application for this specific position must be submitted directly to the Coast Community College District Office of Human Resources, 1370 Adams Avenue, Costa Mesa, CA 92626, Attention: Applicant Processing. Application forms may be obtained at the Office of Human Resources or will be mailed upon request by calling (714) 432-5007. Because of possible postal delays, it is suggested when feasible you personally obtain the application form, complete all portions and return it before the closing date deadline. The District will consider only individuals who submit a completed application. A limited number of applicants will be invited for interview(s) at their own expense. Offers of employment are contingent upon the results of a medical examination. Reasonable accommodations will be made for any physical or mental limitations of a handicapped person.

NOTE: Staff members are encouraged to apply for promotional positions. Applications and selection procedures are the same as for applications from outside the college.

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CONFIDENTIAL STAFF JOB OPPORTUNITY

INTERNAL AUDITOR
DISTRICT OFFICE
(FINANCE DEPARTMENT)

Work Year:	12 months	Work Week:	40 hours
Starting Salary:	$2,838		
Salary Range:	$2,838 - $3,450	Work Hours:	8:00 am - 4:30 pm Monday - Friday

FINAL DATE FOR FILING APPLICATION: MAY 11, 1990

Salary Increase: Five percent after six months successful service; five percent annually thereafter until the top of the schedule is reached.
Employee Benefits: Available options are health, dental, vision care, life and long-term disability insurance.

DEFINITION
To conduct examinations of the District's fiscal records, processes, systems, procedures and internal control; to prepare audit reports; and to submit recommendations for improvements in any part of the fiscal structure.

EXAMPLES OF DUTIES
Duties may include, but are not limited to, the following:

Conduct a variety of responsible auditing assignments; examine, analyze and verify the fiscal records of college and District departments; review financial documents such as contracts, invoices, vouchers, requisitions and related items for their systematic recording in accordance with acceptable accounting practices; prepare detailed audit reports and discuss findings and recommendations with the District Business/Facilities Manager; review and analyze departmental accounting recordkeeping procedures; suggest changes in forms and procedures to meet the departmental and legal requirements; review documentation and auditing checks utilized in data processing programs; assist in the installation of new accounting methods; consult with departmental officials on fiscal recordkeeping problems; observe and review inventory procedures; assist independent outside auditors with their year-end audits; perform related duties as assigned.

MINIMUM QUALIFICATIONS

Knowledge of:
Principles, practices and methods of accounting and auditing.
Governmental accounting and auditing practices.
Modern office methods, practices, and equipment.
Laws and ordinances regulating public finance and accounting.

MINIMUM QUALIFICATIONS (continued)

Skill to:
Apply accounting and auditing principles and procedures in the work performed.
Analyze data and draw sound conclusions.
Prepare clear, complete and concise reports.
Communicate effectively and tactfully in both oral and written form.
Understand and carry out both oral and written instructions in an independent manner.
Interpret and administer District accounting policies and procedures.
Establish and maintain cooperative work relationships with those contacted in the performance of duties.

Experience:
Five years of responsible professional auditing or accounting experience.

Training:
Bachelor's degree from an accredited college or university with major course work in accounting or business administration.

License:
Possession of, of ability to obtain, a valid California driver's license.

DESIRABLE QUALIFICATIONS
Three years or more of internal auditing experience in a college, university or public educational institution.
Three years or more accounting/budgeting experience in a college, university or public educational institution.
Knowledge and ability to use IBM-PC or compatible.

REPORTING RELATIONSHIP
This position reports directly to the District Business/Facilities Manager.

METHOD OF SELECTION
All applications and supplemental questionnaires will be reviewed and the most qualified applicants will be invited for a structured or al interview in order to determine the final candidates who will then be invited for final interviews.

HOW TO APPLY
Additional information, application forms and supplemental questionnaires may be obtained from the Contra Costa Community College District, Personnel Department, 500 Court Street, Martinez, CA 94553, or by calling (415) 229-1000, Ext. 220. Incomplete applications will not be considered.

FINAL DATE FOR FILING APPLICATION: MAY 11, 1990

THE CONTRA COSTA COMMUNITY COLLEGE DISTRICT
IS AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

...N
...PLOYER

5376-5385

Foothill-De Anza
Community College District

ANNOUNCEMENT OF EMPLOYMENT OPPORTUNITY

ANNOUNCEMENT #89208

POSITION: Internal Auditor/Analyst, Business Services, District, Full-Time, Permanent, 12 months.

SALARY: M-5, $5,039.25 per month plus benefits (life, medical, dental, vision care, sick leave, vacation).

APPLICATION DEADLINE: January 29, 1990. Applications, including those mailed, must be received by 4:30 p.m.

STARTING DATE: As soon thereafter as possible.

EXAMPLES OF DUTIES AND RESPONSIBILITIES:

1. Monitors the integrity, accuracy, effectiveness, and efficiency of the administrative computing systems including measuring the responsiveness of the system to its users in terms of report format, intent, and frequency for example.
2. Performs special system studies.
3. Maintains security requirements for administrative computing systems.
4. Works with system users to develop their proficiency in administrative computing systems.
5. Designs and assists in implementing internal controls and efficient procedures.
6. Conducts procedural oriented fiscal and/or operational audits of District business operations, including campus cashiers, bookstores, food services, office, auto technology operations, Associated Student records, trust accounts, student financial aid programs and selected grants.
7. Prepares written reports of audits and recommendations for the Chancellor.

(O V E R)

RACIAL/ETHNIC MINORITIES, WOMEN, THE PHYSICALLY HANDICAPPED AND VIETNAM VETERANS ARE ENCOURAGED TO APPLY FOR ALL POSITIONS

DIAL-A-JOB 415/949-6218, 24 hours a day, 7 days a week

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Internal Auditor/Analyst, Business Services, District

8. Assists in the evaluation of district data processing software during purchase and installation.

9. Serves as member of project team for new system implementation to ensure adequate controls and audit trails.

EMPLOYMENT STANDARDS:

Knowledge of:
1. Accounting, budgeting and auditing principles and procedures.
2. Analysis and design of computer based information systems.

Ability to:
1. Establish plans to carry out the responsibilities of the Internal Audit Department.
2. Maintain an independent mental attitude in the performing of audits in such a manner that no significant quality comprises are made.
3. Effectively communicate results of audits to management and staff.
4. Understand management principles and be able to recognize and evaluate the materiality and significance of deviations from good business practices.

Experience:
1. A minimum of three years experience in accounting systems or auditing in a computerized information system environment.
2. Experience in the analysis and design of computer based information systems.

Education:
1. Bachelor's degree in Accounting or Business or equivalent.
2. MBA or CPA is desirable.

HOW TO APPLY: Applications must be obtained from and returned to:

EMPLOYMENT SERVICES
FOOTHILL-DE ANZA COMMUNITY COLLEGE DISTRICT
12345 EL MONTE ROAD
LOS ALTOS HILLS, CA 94022
(415) 949-6217

PERALTA COMMUNITY COLLEGE DISTRICT
333 East 8th Street, Oakland, CA 94606

DIRECTOR OF INTERNAL AUDITS (DISTRICT OFFICE)

DUTIES AND RESPONSIBILITIES:

1. Plans and directs the district-wide internal audit program; conducts internal audits; examines financial records, procedures, operational and accounting systems of the District and college organizational units to determine compliance with District policies and government and regulations; conducts special audits and studies requested by managment or the Board.

2. Examines tentative and final budgets of each college and entire district to yield an independent analysis only to the Chancellor and Board of Trustees.

3. Establishes policies for the auditing activity and directs its technical and administrative functions; maintains audit procedure manuals.

4. Develops and executes a comprehensive audit program to evaluate management controls over all financial activities.

5. Examines and reports on the effectiveness of management in safeguarding assets and ensuring compliance with established policies and proceduresd. Prepares written reports of findings and recommends improvements.

6. Supervises the activities of the Internal Audit Department. Reviews all reports of examinations and related working papers before distribution.

7. Maintains liaison between the Office of Internal Audits and the Board of Trustees. Transmits copies of reports of internal audits and other pertinent information to members of the Board Budget and Audit Committee. Attends meetings of the Budget and Audit committee. Prepares and makes presentations for Budget and Audit Committee and other Board standing committees.

8. Determines compliance with recommendations of independent auditors and auditors from other federal, state and local agencies. Provides technical assistance to management and staff.

9. Assists outside auditors in their annual audit of the District's financial statements.

10. Designs and/or performs special examinations or investigations as appropriate.

11. Prepares annual audit schedule of the Internal Audit Dept.

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PROFESSIONAL AND PERSONAL QUALIFICATIONS

Graduation from college/univeristy with a degree in Business Administration or Accounting, including at least 16 semester units of professional accounting courses and three years of advanced or supervisorial professional auditing experience and possession of a CPA or CIA; or any combination of training and experience that could likely provide the desired knowledge and abilities. Possession of MBA and familiarity with procedures involved in the auditing of automated accounting systems are highly desirable.

PERALTA COMMUNITY COLLEGE DISTRICT
333 East 8th Street
Oakland, CA 94606

District Personnel Office: (415) 466-7297
Job Information: (415) 835-5822

CLASSIFIED JOB VACANCY
(OPEN)

INTERNAL AUDITOR (CONFIDENTIAL)
(Internal Audit Department/District Office)
Full-time (40 hours per week) RELISTING
Range 35, $2,737.00 - $3,314.00/month
Application Deadline: OPEN UNTIL FILLED

DUTIES AND RESPONSIBILITIES:

Under the direction of the Director of Internal Audits, audits all District and college financial operations for compliance with state and local statutes and Board policies: audits various cash funds at all colleges, bookstores, associated students and enterprises; verifies accuracy of enrollment and attendance data by examination of supporting records at the colleges; ascertains adequacy of accounting and safeguarding of all assets; checks financial records for compliance with federal regulations; examines and tests the District's payroll system; conducts examinations to determine the adequacy of compliance with the recommendations of independent, government and District auditors; monitors and evaluates internal control, and reports findings to the Director of Internal Audits for inclusion in the reports to the Chancellor and the Board Standing Committee on Budget and Audit; performs other related duties as assigned.

QUALIFICATIONS:

Minimum:

1. Any combination of education and experience equivalent to graduation from an accredited college or university in accounting and two years of experience in auditing that could likely provide the desired knowledge and abilities.

2. Automobile required. Possess a valid California driver's license.

Desirable:

1. Knowledge of governmental accounting and auditing practices.

(OVER)

AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION EMPLOYER

(2/13/89)

PERALTA COMMUNITY COLLEGE DISTRICT
333 East Eighth Street
Oakland, CA 94606

District Personnel Office: (415) 466-7297
Job Information: (415) 835-5822

INTERNAL AUDITOR (CONFIDENTIAL)
(Internal Audit Department/District Office)

APPLICATION PROCEDURES:

1. Obtain an Employment Application Packet from the District Personnel Office, Monday through Friday between the hours of 8:00 a.m. and 4:30 p.m.

2. A new employment application form must be completed for each position in which you are interested.

3. Applications must be received and date stamped in the District Personnel Office no later than 4:30 p.m. on the application deadline date whether application is hand-delivered, mailed or sent via inter-district mail. Applications will be accepted if postmarked on or before the application deadline date. Applications submitted after the application deadline date will not be considered.

SELECTION PROCEDURES:

1. Applications will be reviewed and evaluated on the basis of the minimum qualifications contained in the job announcement.

2. Candidates who meet the minimum qualifications will be referred to the next level of the screening process.

PROFESSIONAL ORGANIZATIONS AND REFERENCE BOOKS

PROFESSIONAL ORGANIZATIONS

Institute of Internal Auditors (IIA) 249 Maitland Avenue Altamonte Springs, FL 32701-4201 407-830-7600	▸ Conducts local chapter meetings as well as national and international meetings ▸ Excellent resource for professional publications ▸ Provides a "Certified Internal Auditor" program
Association of College and University Auditors (ACUA) Richard Tusa, Admissions Committee Department of Internal Audit Colorado State University 301 Johnson Hall Fort Collins, CO 80523 303-491-7100	▸ Conducts two national meetings annually ▸ Maintains a Library Exchange of Audit Programs for colleges and universities - Ph 801-750-1084
Community College Internal Auditors (CCIA) Judith Osgood, Internal Auditor Contra Costa Community College District 500 Court St. Martinez, CA 94553 415-228-1000 X228	▸ Conducts periodic meeting/seminars in California for continuing professional development ▸ Provides a forum for community college internal auditors to meet and establish professional contacts and resources
American Institute of Certified Public Accountants (AICPA) 1211 Avenue of the Americas New York, NY 10036	▸ Conducts continuing professional education seminars/conferences ▸ Excellent resource for professional publications
National Association of Certified Fraud Examiners (NACFE) 716 West Avenue Austin, TX 78701 1-800-872-4678	▸ Conducts training in fraud auditing and investigations ▸ Provides a "Certified Fraud Examiner" program

REFERENCE BOOKS

For those just starting an internal audit function, the following publications are a good place to start building an internal audit reference library. All of them are available through the IIA.

Professional Internal Auditing Standards Volume
Sawyer's Internal Auditing
Audit Committees in the Public Sector

Additionally, on the following 3 pages, Tom FitzGerald at Palomar CCD, prepared a publication review to help you select other reference materials.

REVIEW OF AUDITING PUBLICATIONS

TO SAVE SPACE PLEASE SEE NOTE THAT "PUB = PUBLICATIONS","REG = REGISTRATION", "SUB = SUBSCRIPTION".

PUBLICATION	COMMENTS
INTERNAL AUDITING BY: WILSON/ROOT PUB: WARREN,GORHAM & LAMONT COST $115.00	VERY GOOD REFERENCE BOOK AS IT REFERENCES EACH TYPE AUDIT YOU MAY HAVE TO CONDUCT. EACH TYPE HAS A COMPLETE CHECKLIST. EACH YEAR THEY PUBLISH A CUMULATIVE SUPPLEMENT WHICH IS SENT ON APPROVAL WITH A NOMINAL COST IF YOU WANT IT.
GOVERNMENT AUDITING STANDARDS (YELLOW BOOK) PUB: GOV PRINT OFFICE STOCK# 020-000-00243-3 COST $3.50	THIS PUB IS A MUST IF YOUR COLLEGE HAS FEDERAL FUNDING.
INTERNAL AUDITING ALERT PUB: WARREN,GORHAM & LAMONT PUBLISHED MONTHLY COST $110.00 ANNUALLY	GOOD DOCUMENT AS IT DESCRIBES NEW AUDITING TECHNIQUES AND NEW PROBLEM AREAS TO LOOK AT.
UPDATE ON STATE LEGISLATION PUB: ED. SILVERBRAND 1100 N. STREET,SUITE 1-E SACRAMENTO, CA 95814 COST $85.00 ANNUAL SUB	THIS A VERY GOOD DOCUMENT TO KEEP UP TO DATE WITH BILLS AFFECTING EDUCATION IN SACRAMENTO. AN ADDITIONAL BENEFIT IN THIS PUB IS THEY WILL SEND YOU A COPY OF THE ACTUAL BILLS WITHOUT FURTHER COST.
COMPUTERS IN ACCOUNTING PUB:WARREN,GORHAM & LAMONT COST $58.00 ANNUAL PUBLISHED BI-MONTHLY	GOOD PUB TO KEEP YOU UP TO DATE ON NEW COMPUTERS AND SOFTWARE ON THE MARKET. ARTICLES ON ACCOUNTING AND AUDITING.
MEMBERSHIP IN ACUA INSTITUTIONAL $150.00 ANNUAL	WITH MEMBERSHIP YOU RECEIVE ALL THE MINUTES OF THE ANNUAL MEETINGS, DISCOUNT FOR REG FEE AND A MONTHLY PUB NAMED LEDGER. BOTH THESE DOCUMENTS KEEP YOU UP TO DATE ON WHAT IS HAPPENING IN THE AUDITING WORLD. IT ALSO LISTS JOB OPPORTUNITIES FOR AUDITORS.
CASBO WORKSHOP - 1989	ATTENDEES RECEIVED A WORK BOOK ON FRAUD PREVENTION AND DETECTION. GOOD REFERENCE AS IT OUTLINES THE FRAUD IN COLLEGES FOUND IN CALIF. WHAT TO LOOK FOR AND HOW TO POSSIBLY PREVENT IT IN YOUR COLLEGE. IF YOU DON'T THINK YOU HAVE IT IN YOUR COLLEGE READ THE BOOK.
FRAUD DETECTION & INVESTIGATION FOR THE UNIVERSITY AUDITOR. PUB: COURTENAY THOMPSON & ASSOCIATES, DALLAS TEXAS. TEL# (214) 361-8346	THIS IS A WORK BOOK FROM THE ACUA MEETING IN APRIL 1991. THIS IS AN EXCELLENT DOCUMENT TO DETERMINE WHAT POSSIBLE FRAUD IS OCCURRING IN YOUR COLLEGE, HOW TO PROPERLY INVESTIGATE IT AND PROSECUTE THE GUILTY. I DON'T KNOW IF THE

PUBLISHER WILL SELL THIS DOCUMENT TO YOU WITHOUT ATTENDING HIS CLASS. YOU CAN CALL TO FIND OUT.

THE FOLLOWING PUBLICATIONS ARE AVAILABLE FROM THE ACUA LIBRARY EXCHANGE WHICH I HAVE IN PAPER. YOU CAN GET THESE DOCUMENTS ON A COMPUTER DISK FOR IBM COMPATIBLE COMPUTERS. I DO NOT RECOMMEND GETTING THE PUBS ON DISK AS THE SEARCH FOR WHAT YOU NEED COULD TAKE FOREVER TO FIND. THE PUBS ARE AVAILABLE FROM THE ACUA LIBRARY EXCHANGE COMMITTEE, UTAH STATE UNIVERSITY, LOGAN, UT. 84322-1405 ATT: KEITH SEDGWICK. THEY WILL ACCEPT A PURCHASE ORDER.

THE LIBRARY HAS 155 PUBS AVAILABLE BY SUBJECT - AT LEAST IT DID ABOUT TWO YEARS AGO.

I SHALL LIST THE ONES I HAVE WITH THE COST AND A SHORT COMMENT.

"AUDIT MANAGER HAVE YOU FORGOTTEN SOMETHING"
COST $5.00

THIS DOCUMENT MIGHT BE CALLED THE BASIC "MARCHING ORDERS" FOR AN AUDITOR. IN SHORT IT OUTLINES WHAT MANAGEMENT IS LOOKING FOR AND ITS NEEDS IN AN AUDIT. VERY GOOD DOCUMENT TO GUIDE THE AUDITOR ALONG.

"AUDITING ATHLETICS AND SUMMER SPORTS SCHOOL"
COST $5.00

OUTLINES WHAT TO LOOK FOR IN SUMMER SPORT ACTIVITIES. GOOD POINTS ON TICKET SALES, INSTRUCTOR PAYMENTS AND REVENUES.

IMPROVED AUDIT REPORT WRITING
COST $5.00

THIS PUB. IS A CHECKLIST WITH "YES""NO" ANSWERS. IT COVERS INDIRECT COSTS, RECEIVING, INSURANCE, BONDING, STATE AND FEDERAL REGULATIONS. VERY HELPFULL FOR NEW PROGRAMS. THIS INFO CAN BE COMPLETED BY DEPARTMENT HEADS. EACH "NO" REPLY REQUIRES - REMARKS/JUSTIFICATION.

ATHLETIC DEPARTMENT
COST $15.00

THIS PUB. IS ABOUT TWO INCHES THICK WHICH MORE OR LESS STATES WHERE MAJOR PROBLEMS EXIST. IT COVERS TICKET SALES, STUDENT TRAVEL, PROCUREMENT AND HOW IN GENERAL SCHOOLS GET RIPPED OFF BY EMPLOYEES.

CASHIERS OFFICE
COST $5.00

I COULD NOT LOCATE THIS DOCUMENT AT THIS TIME. IF I REMEMBER CORRECTLY IT COVERS SUPRISE AUDITS, VERIFYING DEPOSITS, INTEREST AND BACKGROUND INVESTIGATIONS OF CASHIERS.

CONTRACTS AND GRANTS
COST $10.00

THIS PUB GIVES YOU A GOOD CHECKLIST OF THINGS TO LOOK FOR IN RECEIVING GRANTS - ALSO A GREAT PORTION REFERS TO CONTRACTS FOR CONSTRUCTION AND MODIFICATIONS. BOTH PORTIONS POINT OUT THE MAJOR PROBLEM AREAS.

DISCRETIONARY FUNDS
COST $3.00

THIS PUB. GIVES YOU A GOOD IDEA ABOUT WHAT THREE STATE UNVERSITIFS USED DISCRETIONARY FUNDS FOR WITH AN AUDIT REPORT FOR EACH.

FINANCIAL AIDS INCLUDES: PELL GRANTS, SEOG,NDSL, GSL,SSIG,CWS COST $7.00	THIS PUB. IS VERY DETAILED ON AUDITING, PREPARING FINANCIAL STATEMENTS FOR STUDENT LOANS, SCHOLARSHIPS, BANK RECONCILIATIONS, TUITION WAIVERS AND REMISSIONS
INSURANCE COST $3.00	SHORT TWO PAGE DOCUMENT ON THE AUDIT OF INSURANCE PROGRAMS.
PAYROLL DEPARTMENT COST $7.00	THIS PUB. IS VERY DETAILED IN WHAT TO LOOK FOR AND VERIFY IN THE PAYROLL DEPARTMENT AUDIT. IT DETAILS FROM TIME SHEETS TO GHOST EMPLOYEES. IT HAS MANY GOOD CHECKLISTS.
PETTY CASH COST $7.00	IF YOU HAVE MORE THAN ONE PETTY CASH ACCOUNT IN YOUR COLLEGE AND DON'T CASH THEM OUT AT THE END OF EACH FISCAL YEAR THIS DOCUMENT WILL GET YOUR ATTENTION. VERY WELL WRITTEN AUDITS AND CASES.
RECORDS RETENTION COST $3.00	THIS PUB.WAS NOT WORTH THE COST. IF YOU ARE INTERESTED IN THIS INFORMATION I WOULD RECOMMEND CONTACTING THE CASBO DOCUMENT LIBRARY SOUTHERN SECTION AS THEY HAD A PRESENTATION AND HANDOUT ON THIS SUBJECT LAST MONTH. THIS DOCUMENT IS VERY DETAILED ABOUT RETENTION, DESTRUCTION AND MICROFILMING OF RECORDS.
SCHOLARSHIPS COST $3.00	NOTED UNDER FINANCIAL AIDS
STUDENT LOANS COST $5.00	NOTED UNDER FINANCIAL AIDS
THEATRE & STAGE PRODUCTIONS COST $7.00	THIS PUB. COVERS PRODUCTION COSTS, TICKET SALES, CONTRACTS FOR PERFORMERS, COMPLIANCE REPORTS AND ACCOUNTABILITY.
TICKET SALES COST $5.00	THIS PUB. SPELLS OUT SPECIFIC RESPONSIBILITIES FOR PROCUREMENT OF TICKETS, CHANGE FUNDS, CONTROL OVER SELLING TICKETS AND ACCOUNTABILITY ALSO THE DESTRUCTION OF UNSOLD TICKETS.

COMMUNITY COLLEGE INTERNAL AUDITORS

April 1991 Survey

Executive Summary

The survey was sent to the State Chancellor's Office and the following California Community College Districts which are the only organizations within California Community Colleges with internal audit functions: Coast, Contra Costa, Foothill-DeAnza, Grossmont-Cuyamaca, Kern, Los Angeles, Long Beach, North Orange County, Palomar, Peralta, San Diego, State Center. Nine districts and the State Chancellor's Office replied; responses were not received from the Grossmont-Cuyamaca, Los Angeles, and State Center community college districts.

ORGANIZATIONAL STRUCTURE

Four internal audit functions (IAF's) report functionally to the Chancellor level or higher which is encouraging; however, six IAF's report functionally to the Chief Business Officer or Chief Finance Officer which leads to serious questions of independence (IIA's Standard* 100 and the Position Statement "The Audit Committee in the Public Sector). Six internal audit functions communicate with their Boards, but four IAF's have no access to their Boards as required by IIA Standard 110.01.2. None of the IAF's surveyed had an Audit Committee comprised of Board members as recommended by the IIA's new Position Statement "The Audit Committee in the Public Sector".

CHARTER

Only four IAF's had written charters (IIA Standard 110.01.4) most likely because many of the IAF's are relatively new functions. Only two of these charters have been approved by management and accepted by the Board (IIA Standard 110.01.4). Of the four written charters, all guarantee access to all records, personnel, and activities necessary for the conduct of audits, but two charters have scope restrictions.

OTHER OPERATIONAL RESPONSIBILITIES

Six IAF's have other operational responsibilities; it appears the independence of 3 IAF's is affected by their other operational responsibilities.

COMPENSATION

The lowest salary range was $35,400 -$40,800; the highest salary range was $64,512 - $69,780. The average salary for the survey respondents (individual salary ranges were averaged, then the average was used to calculate a statewide average) was $48,733. Average salary using starting salary levels was $46,207. The median range was $45,000 - $48,000. (Staff internal auditors' salaries were excluded from this calculation.)

STAFFING

One IAF has 2 professional auditors, 1 has 3 part-time positions, 1 has an account clerk, and the remaining 7 IAF's have 1 internal auditor. ADA for the respondents ranged from 11,081 to 52,000.

PROFESSIONAL RESOURCES:

Most respondents belong to the IIA and/or ACUA and obtain their professional reference material from these organizations. The most popular reference source was "Sawyer's Internal Auditing".

*IIA Standard refers to the "Standards for the Professional Practice of Internal Auditing" by the Institute of Internal Auditors.

COMMUNITY COLLEGE INTERNAL AUDITORS
April 1991 Survey

ORGANIZATIONAL STRUCTURE

1. Who do you report to functionally?

   3 report to the CBO or equivalent
   3 report to the CFO or equivalent
   1 reports to the Chancellor
   1 reports to the Board
   1 reports to the Chancellor and the Board
   1 reports to the CBO, Chancellor, and the Board

2. Who do you report to administratively?

   5 report to the CBO or equivalent
   4 report to the CFO or equivalent
   1 reports to the Chancellor and the Board

3. Do you communicate at all with your Board?

   6 internal audit functions communicate with the Board
   4 internal audit functions do not

4. If yes, how frequently?

   1 reports to the Board bi-monthly
   2 report to the Board monthly
   2 report to the Board quarterly
   1 reports to the Board annually

5. If yes, what types of written communication does the Board receive?

   3 submit executive summaries to the Board
   2 submit audit reports
   1 submits executive summaries, audit reports, and quarterly summaries

6. Is there an audit committee?

   9 do not have an audit committee
   1 has an audit committee

7. Who are the committee members?

   1 has an audit committee made up of members of executive management

CHARTER

8. Do you have a written charter?

4 have written charters
6 do not

9. If yes, has it been approvement by management?

3 have been approved
1 has not

10. If yes, has it been accepted by the Board?

2 have been accepted
2 have not

11. Is your charter free of any scope restrictions?

2 are free of scope restrictions
2 are not

12. Does your charter guarantee access to all records, personnel, and activities necessary for the conduct of audits?

4 charters guarantee access

OTHER OPERATIONAL RESPONSIBILITIES

13. Do you have other responsibilities in addition to internal auditing?

6 have other responsibilities
4 do not

14. If yes, please list.

1 serves as security officer of accounting systems
1 conducts special projects
1 serves as accounting technician
1 conducts disbursements review/and signs check
1 prepares bank reconciliations and has other accounting/operational responsibilities
1 assists with policies and procedures including data processing systems

15. Do you think the additional responsibilities affect your independence?

3 yes
3 no

COMPENSATION

One Person Internal Audit Department - (8 internal audit functions are "one person" operations)

16. How is the Internal Auditor classified?

    3 management
    3 confidential
    1 professional-supervisory
    1 state classification

17. What is the title for the Internal Auditor?

    6 Internal Auditor
    1 Auditor/Disbursing Office/Analyst
    1 Fiscal Accountant/Disbursing Officer

18. Please list the annual salary range for the internal auditor. (Note, some responded with an annual salary instead of salary range.)

    34,707 - 46,762
    35,400 - 40,800
    35,760 - 43,470
    44,000
    45,000 - 48,000
    46,996 - 59,487
    48,000
    64,512 - 69,780

Two or More Internal Auditors

19. How is the internal audit manager/director classified? (2 internal audit functions have 2 or more internal auditors)

    1 management
    1 classified

20. What is the title for the internal auditor manager/director?

    1 Director of Internal Audit
    1 Internal Auditor

21. Please list the annual salary range for the internal audit director/manager. (Note, one responded with an annual salary instead of salary range.)

    50,000 - 60,000
    55,000

22. How is the staff internal auditor classified?

    1 confidential
    1 classified

23. What is the title for the staff internal auditor?

1 Internal Auditor
1 Categorical Fund Auditor

24. Please list the annual salary range for the staff internal auditor.

36,000 - 46,000
20,000

25. If there is more than one level/classification of internal auditor reporting to the internal audit director/manager, please describe position titles and salary ranges not covered above.

Not applicable

STAFFING

26. How many internal audit staff are there?

6 districts and the State Chancellors Office have 1 internal auditor
1 district has a director and staff internal auditor
1 district has an internal auditor and 1 account clerk
1 district has an internal auditor and 3 part-time positions

27. What was your District's ADA in the 1989-1990 year?

11,081
11,341
14,361
16,167
23,304
25,372
25,786
35,000
52,000

28. How many colleges/campuses are there in your district?

1 college, 2 campuses
1 college, 6 satellites
2 colleges, 6 education centers
3 colleges, 4 education centers
3 campuses, 1 education center
4 colleges
2 colleges, 1 education center
4 colleges, 8 education centers
3 colleges, 1 TU station

PROFESSIONAL RESOURCES:

29. What professional organizations do you belong to?

6 belong to the Institute of Internal Auditors (IIA)
3 belong to the Association of College and University Auditors (ACUA)
3 belong to the American Institute of CPA's (AICPA)
2 belong to the California Association of School Business Officials (CASBO)
1 belongs to the California Society of CPA's (CSCPA)

30. Where do you obtain you professional reference material from?

4 obtain material from the IIA
3 obtain material from ACUA
2 obtain material from the AICPA
1 obtains material from GASB
1 obtains material from NACUBO
1 obtains material from the State Library
1 obtains material from State of California/Matthew Bender
1 obtains material from ACUA's Internal Audit Manual

31. List the professional reference book or publication you like the most or have found the most helpful.

4 listed "Sawyer's Internal Auditing"
1 listed "Financial Accounting and Reporting Manual for Higher Education" by NACUBO
1 listed "Internal Auditing" by Fonorow
1 listed "Handbook for Internal Auditors" by Perry and Davis
1 listed "Professional Internal Auditing Standards" by the IIA
1 listed "Internal Auditing Manual" by Wilson Root, a Warren, Gorham, & Lamont Pub.
1 listed "Auditing Computer Applications" by William & Lamont
1 listed "Community College Budget and Accounting Manual"
1 listed "Government Auditing Standards" (Yellow Book) by the Compt. Gen. of the U.S.